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See Sports, Page 21

Herald INTERNATIONAL Tribune

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PARIS, WEDNESDAY, JUNE 22, 1988

ESTABLISHED 1887



Dutch Win 2-1 to Gain European Soccer Final

Elke Immel, West Germany's goalkeeper, stopped a shot by Marco van Basten of the Netherlands early in Tuesday's European soccer championship semifinal match. But the Dutch, with van Basten scoring in the final minute of the second half, won 2-1. In Saturday's finals, they will play the winner of Wednesday's match between the Soviet Union and Italy. Sports, Page 21.

A 'Party' Permitted In Estonia

Non-Communist Peoples Front Backs Reforms

By Bill Keller
New York Times Service
MOSCOW — Authorities in the republic of Estonia, in an important precedent for other regions of the Soviet Union, have permitted the creation of the first large-scale political group outside the Communist Party.

According to Estonian press accounts and interviews, the new Peoples Front of Estonia has mushroomed to 40,000 members in less than two months, embracing a platform that combines ardent support for Mikhail S. Gorbachev, the Soviet leader, with calls for greater political and economic independence for Estonia.

Last Friday, the front demonstrated its popular appeal by gathering more than 100,000 people, including the second-ranking Communist Party official in Estonia, for an emotional rally on the festival grounds in Tallinn, the Estonian capital.

Organizers say they plan to nominate candidates for local and national elections, to lobby for changes in the law and to promote referendums.

What has happened in Estonia appears to be a trial run for the creation of similar fronts that would serve as a pro-Gorbachev lobby against the entrenched Communist Party apparatus.

Communist Party leaders may also hope that they can use such fronts to assert a degree of control over nationalist sentiments that have presented a challenge to Moscow in the Baltic republics, in Soviet Central Asia, and recently in the Caucasus Mountain republics of Armenia and Azerbaijan.

Organizers of the Peoples Front say they intend to maintain their independence by banning Communist Party and government officials from holding leadership positions. Communist Party members who are considered strong advocates of political and economic change.

The agenda of the Peoples Front, published earlier this month in the newspaper *Sovetskaya Estoniya*, said participation is open to anyone who supports Mr. Gorbachev's program of *perestroika*, or reducing rigidity in the Soviet system, and



President Ronald Reagan and Secretary of State George P. Shultz at the summit session on Tuesday in Toronto. Beyond them, from left, Sir Geoffrey Howe, Margaret Thatcher and Nigel Lawson.

Canada Summit Renews Call for A Stable Dollar

By Reginald Dale
International Herald Tribune
TORONTO — The major industrialized nations concluded on Tuesday their annual economic summit meeting with a commitment to hold the dollar to roughly its current level and with an optimistic assessment of the world economy.

But in tacit recognition of the still-fragile state of financial markets, the seven countries added a warning against complacency and said that further cooperative efforts were needed to sustain noninflationary growth.

At the end of three days of unusually harmonious discussions, the seven also agreed to a compromise formula glossing over their differences on agriculture, which was the most divisive issue on the agenda.

In their final communiqué, the United States, Japan, West Germany, France, Britain, Italy and Canada repeated a call for currency stability that was first issued in a bid to halt the dollar's slide last December.

The communiqué said: "Either excessive fluctuations of exchange rates, a further decline of the dol-

ATA Seeks Military Airspace

By Warren Getler
International Herald Tribune
LONDON — Faced with growing congestion in air corridors over western Europe, the International Transport Association and civilian aviation authorities are urging that military airspace be opened to commercial carriers.

The Geneva-based association of airlines said it was urging cooperation between military and civilian air traffic control in Britain and Denmark already in an integrated military and civilian air traffic control system.

As air travel in Europe has boomed as a result of deregulation, delays and congestion have become increasingly troublesome as controllers struggle to find slots on crowded flight paths.

The association's recommendations followed an emergency meeting last week in Paris on air-traffic management in Europe. The meeting was held under the auspices of the United Nations International Civil Aviation Organization.

The Paris meeting, attended by civilian and military air traffic representatives from 13 countries, urged "states to reinforce civil-military cooperation" and explore "possibilities for obtaining a more flexible utilization of available airspace."

The International Air Traffic Association said Tuesday that it expected a 7 percent increase in the number of commercial aircraft landings and departures this year in Western Europe, to 3.5 million from 3.3 million in 1987. The figures include flights in France, West Germany, Britain, Ireland, Belgium, Luxembourg, the Netherlands, Portugal, Switzerland and Austria.

The association said the volume would jump to 3.7 million next year, 3.87 million in 1990 and more than four million in 1991.

John Brindley, an association spokesman, said, "It is quite clear that there are areas of the sky reserved for the military which are not being used half of the time."

"If the military were to allow us to use their underutilized airspace during quiet periods such as weekends," he said, "the airlines would make corresponding adjustments to meet the military's needs."

Mr. Brindley said airlines were being forced to curtail operations because of overcrowded skies, leading to long delays on the ground.

"Flights to the United States from West Germany are having to be re-routed along the North Sea and across the top of Scotland," he said, "instead of taking their normal route across London and parts of Ireland."

Other problems for the airlines include flying at less-than-optimal cruising altitudes — above or below the normal 30,000 feet (9,100

U.S. Weighs Plans to Relocate Its Bases in the Philippines

By Michael Richardson
International Herald Tribune
SINGAPORE — The United States has begun detailed studies on relocation of military bases in the Philippines because of concern that Manila is attaching unacceptable conditions to their future use, U.S. officials say.

Under plans being drawn up by the U.S. Pacific Command in Hawaii, the functions of the bases in the Philippines would be dispersed to other parts of Asia and the Western Pacific. The functions include naval, air, communication, logistic and intelligence-gathering activities.

Although disclosure of the contingency planning is clearly intended to persuade Manila to lower its demands, analysts in the region say they believe that Washington is now facing up to the possibility that U.S. forces may have to leave the Philippines in the next few years.

"If the worst comes to the worst, scattering the facilities will be the way the problem is handled," said Nordin Sopiee, director general of the Institute of Strategic and International Studies in Malaysia.

A study recently published in Washington concluded that the United States could redeploy its forces and installations in the Philippines to other parts of East Asia and the Western Pacific without a major loss of military effectiveness or prohibitive costs.

The study, sponsored by the Council on Foreign Relations, said the bases could be split up and transferred to Japan, South Korea, Australia, Guam and Micronesia.

A longstanding agreement that has allowed the United States to maintain bases in the Philippines will expire in 1991. U.S. and Philip-

Shrinking Middle Class Climbs a Notch in U.S.

By Spencer Rich
Washington Post Service
WASHINGTON — America's middle class has been shrinking since 1969, but mainly because more families have moved into the upper class, according to an economic study by the government's Bureau of Labor Statistics.

The authors, Michael W. Horgan and Steven E. Haugen, said the widespread view that the middle class, as defined economically, is shrinking "is correct. This one finds that most of the decline in the proportion of families in the middle has gone to the upper class, not the lower."

For years, economists have been arguing about whether the middle class, the rock upon which American social institutions are built, has been shrinking, remaining constant or growing — and, if shrinking, whether more families are falling into the lower class.

Ringling officials, who began arriving earlier this month in preparation for the circus's July 1 opening, said the three-month run in Japan has posed logistical difficulties as well, which initially made them leery about bringing the circus to Japan.

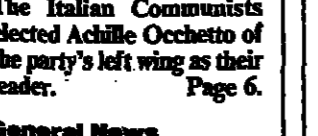
Most significantly, the cost of putting the lavish three-ring event on in Japan is nearly prohibitive. The Japan Educational Corp., the circus's Japanese promoter, estimates it will cost \$49 million to put on this year's show. Several of Japan's yen-rich companies have agreed to pick up the price tag as

Kiosk

Palestinians Clash in Beirut

BEIRUT (AP) — Guerrillas backing Yasser Arafat, chairman of the Palestine Liberation Organization, fought with the forces of Seyed Musa, their Syrian-backed Palestinian rivals Tuesday over control of Beirut's Chatilla and Burj al-Brajneh refugee camps.

Police said 12 people were killed and 45 wounded. The casualties raised the known toll since fighting erupted 12 days ago to 46 killed and 188 wounded.



The Italian Communists elected Achille Occhetto of the party's left wing as their leader. Page 6.

General News

Haiti's new ruler has nothing to fear from the United States, American officials say. Page 3.

Arts/Leisure

Mediterranean antiquities are becoming fashionable in the auction market. Page 12.

Business/Finance

Two investor groups announced a truce in their tug-of-war over Belgium's Société Générale. Page 13.

Special Report

Luxembourg's role as an offshore financial center faces the challenge of 1992. Pages 7-11.

They're Banking on Dukakis

His Campaign Fund Is More Than Double His Rival's

By Richard L. Berke
New York Times Service
WASHINGTON — Governor Michael S. Dukakis enters the nominating convention and general election phase of the campaign with far more money to spend than Vice President George Bush.

As of June 1, the Dukakis campaign had \$3.6 million to spend through the Democratic convention that opens July 18, according to campaign finance reports made available by officials Monday. By contrast, the Bush campaign reported that it had \$1.7 million to spend through its convention, which opens a month later.

This financial edge gives the Massachusetts governor a significant political advantage over Mr. Bush, according to Republican and Democratic consultants. Mr. Dukakis will have more money for campaigning and the convention.

[Mr. Dukakis also continued to lead Mr. Bush in the latest Washington Post poll. The poll gave Mr. Dukakis a lead among voters of 51 percent to 39 percent.]

They're Banking on Dukakis

His Campaign Fund Is More Than Double His Rival's

In a study of the campaign's finances made public last week, William R. Sweeney Jr., a Democratic consultant, concluded that Mr. Bush "spent his nominating campaign funds early in the process without a contingency or reserve, which leaves him virtually bankrupt for the weeks prior to the Republican convention."

Mr. Sweeney's report added that the Bush campaign showed "mismanagement of a budget."

The campaigns are allowed to spend up to \$25 million through the conventions, plus \$4.6 million for fund raising and accounting costs. After their nominations, each candidate receives \$46.1 million in federal funds for the general election. The federal government will spend \$9.2 million in each nominating convention in overall costs. But the campaigns pay for their staffs, lodging, transportation and other costs at the conventions.

Because of limited funds, the Bush campaign has taken numerous austerity measures. For example, one of the vice president's cam-



Michael S. Dukakis

from the 53-to-40 percent lead Mr. Dukakis enjoyed in late May.

The survey indicated that voters feel they know much more about Mr. Bush than about Mr. Dukakis, whose supporters acknowledge a significant lack of information on their man.

Bush Trails in Poll

From Washington, David S. Broder and Richard Morin of The Washington Post reported:

Despite a slight improvement in the public's optimism about the economy and the trend of affairs, Vice President Bush continues to trail Mr. Dukakis in the latest Washington Post poll.

A survey completed Sunday shows Mr. Dukakis leads Mr. Bush by 51 percent to 39 percent. The new poll shows almost no shift

The Greatest Smell on Earth

By Margaret Shapiro
Washington Post Service
TOKYO — The greatest show on earth, Ringling Brothers and Barnum & Bailey Circus, is coming to town, and the fastidious Japanese are more than a little anxious about the odors that might accompany it.

But not to worry. An enterprising Japanese chemical company has been working overtime trying to develop a new biotechnology that will minimize the smells of what those animals produce 30 cubic yards of daily. And Ringling is bringing its own eucalyptus oil, as an extra stink-eradicator.

Drawn by the lure of Japan's high yen, Ringling Bros. is making its first foray outside of the Americas since playing Shanghai once in the mid-1930s. In recent months the same attraction has drawn a number of other American institutions, including the Metropolitan Opera, the world heavyweight boxing championship and Michael Jackson, to name a few.

"Japan is a market that I view the same as America," said the Ringling producer, Kenneth Feld. "There are 122 million people. They are extremely wealthy and they are now cutting back to a five-day work week. So leisure is going to do well." But, as others have discovered, the Japanese have their own ways of doing things.

For instance, when the elephants arrived from the United States by boat last week, a Shinto priest in full regalia was on hand to greet them, intoning blessings as they were unloaded. "It was real weird," said one circus member.

Although no circus the size of Ringling Bros. has ever toured Japan, the Japanese have regulations to cover the situation, much as they have rules for almost everything. The circus had to abandon its idea of traveling in trucks after being told that Japanese laws would require it to stop every two hours to take the 16 elephants out for a



In Tokyo, a Shinto priest offers an orange to a young elephant after a ritual blessing for the 16 pachyderms.

Dow Jones		The Dollar	
Up	Down	DM	Yen
25.24		1.7553	126.4225
		1.7885	5.923

U.S. Officials Described as Resigned to Namphy Seizure of Haiti Power

By David Ottaway
Washington Post Service

WASHINGTON — The Reagan administration, stung by the failure of its efforts to oust Panama's military ruler, Mangel Antonio Noriega, has no plans to press in a far manner for the removal of Haitian General Henri Namphy, who seized power in Haiti in a coup on Monday, according to U.S. officials.

Observers said there was a notable feeling of resignation among U.S. officials about the prospect of just four months of civilian rule in Haiti. There also has been a sense of the administration's limited ability to do anything now to promote democracy in Haiti, given the failure of the long diplomatic and economic struggle to squeeze General Noriega out of power in Panama.

"We had limited leverage in Panama, we have even more limited leverage in Haiti," an administration official said. "We're back to zero — watch, wait and evaluate."

The State Department spokesman, Phyllis Oakley, said Tuesday that the United States would continue to work for a transition to democratic rule in Haiti but gave no indication that the administration has any specific steps in mind about how to press for that.

Ms. Oakley said that the administration was not contemplating a change in diplomatic relations with the military government over removal of the elected president, General Namphy, and gave no hint of considering any economic or sanctions to pressure General Namphy into a return to civilian rule.

The United States by November already cut off all aid but \$36 million in humanitarian assistance channeled through private U.S. agencies in a bid to force General Namphy to hold free and fair elections.

General Namphy emerged as president with 50.3 percent of the vote in elections held in January. The United States said "do not expect the fulfillment of a democratic transition."

Ms. Oakley also indicated that the United States was ready to work with the Namphy government, saying there were "examples of good government around the world of whom we don't approve" with whom we have relations and deals.

U.S. officials were quick to reject comparisons between U.S. policy toward Panama and Haiti now, despite the similar problems the administration faces in the two countries. Both have a strong military ruler who refuses to yield power to civilian rule and widespread drug smuggling by high-level officials.

Asked why the United States was willing to take such strong action against General Noriega but unwilling to do the same against General Namphy, Ms. Oakley replied, "I think it is extremely difficult to draw comparisons or analogies between situations."

Los Angeles Street Gangs Spread Drugs and Fear Far Afield

By Robert Reinhold
New York Times Service

STOCKTON, California — It is a weekly ritual that vexes and confounds the residents and the authorities in this placid farming center, where the asparagus and tomato fields of the fertile San Joaquin Valley push almost into downtown. Every weekend, members of Los Angeles street gangs make the 337-mile (550-kilometer) journey up the freeway and set up shop in a motel room or local home.

From there they deal the concentrated cocaine derivative called crack to local buyers and, in some cases, death to those in their way. Like itinerant peddlers, they travel to broaden a saturated market.

An ounce of crack that costs \$600 in Los Angeles, can bring broken into smaller "rocks," \$2,200 to \$2,400 in

Stockton, where there are fewer sources of supply and where the demand is growing. If a local competitor emerges, the well-heeled visitors from Los Angeles will offer cut-rate "two-fers" or "double-ups," until the competition folds or joins them.

The recent spread of Los Angeles' armed street gangs, which control most of the retail drug trade in this region, to smaller cities and towns of the West is one of the more extraordinary aspects of the crack business. The police say they have set up branches in such California cities as Bakersfield, Fresno and Sacramento; in Reno, Nevada, and even as far away as Anchorage, Alaska.

The result has been a dose of violence as the gangs fight for market share. "The real violence has come only in the last year because of the cocaine — they finally got something to fight over," said Detective Gilbert Mendez of the San Joaquin County sheriff's office.

Of 15 murders in Stockton this year, six have been gang-related, according to Dale A. Wagner, the police department's gang investigator. On March 20, a nearly blind 18-year-old youth, Edward Wayne Riley, not a gang member, was shot to death because he could not see a gang advancing on a group of youths he was with.

While gangs are not nearly as strong in Stockton as in Los Angeles, there are about seven Los Angeles gangs with a foothold in the city. Most notable are the 5-Dance Hoover Crips, the North Side Gangsters, the South Mob and the 118th Street East Coast Crips.

They are drawn not only by the high price that cocaine fetches in Stockton but

also by the recent heavy crackdown by the police in Los Angeles. They operate openly in Stockton. Local members of the East Coast Crips, in their blue baseball caps, hang out under the oak trees along Marsh Street near Filbert Street, intimidating residents of the Village East Apartments, a two-story complex in this city of 185,000 people.

But two women in the complex, Ella Jones and Melva Doyle, are fighting back. Ms. Jones, who is assistant manager, patrols the grounds with a bullhorn. "If they see me, they take off," she said.

Her ally, Mrs. Doyle, scanned the courtyard and, referring to the Crips gang, said: "This is blue territory — I notice more of the younger kids wearing blue scarves. They come through with scarves in their back car windows." The low-income complex has had two murders and several shootings in recent months.

Mrs. Doyle, mother of two girls, has earned a measure of respect and civility by confronting the gangs and calling the police. Two months ago, her car windows were shot out. "They told my girls they were going to get me because I was a snitch," she said.

But the women are the exception. So intimidated are residents that it is difficult to find witnesses to gang-related crimes, according to Wally Kobayashi, an investigator for the district attorney's office, which is prosecuting 11 gang members charged in the death of the Riley youth.

The growing influence of the gangs, which arc made up of blacks, on local black youth has stirred deep unease among parents and teachers.

when federal investigators seized materials from military contractors, consultants and Defense Department officials.

The case focuses on the illegal trafficking of confidential information between Defense Department personnel and officials of several major defense contractors.

The five were identified as James E. Gaines, a deputy assistant navy secretary; Victor D. Cohen, a deputy

assistant air force secretary; George Stone, a navy official in the Space and Naval Warfare Systems Command; Stuart Berlin, an executive with the Naval Air Systems Command, and Jack Sherman, a Marine Corps official who works in the equipment and service acquisition section.

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Poll Showing Gains by Opposition Enlivens Mexico Election Campaign

By Larry Roher
New York Times Service

MEXICO CITY — The most thorough and nonpartisan survey of Mexican voters in the presidential campaign shows Carlos Salinas de Gortari of the Institutional Revolutionary Party ahead of his two main rivals in the coming election, but with a smaller lead than any achieved by his party in modern times.

The poll, made public on Monday, indicates that Mr. Salinas is favored by 56 percent of registered voters in the July 6 election, compared with 23 percent for Cuauhtemoc Cárdenas of the left-populist National Democratic Front and 19 percent for Manuel Clouthier of the right-of-center National Action Party.

The survey was conducted from May 12 to June 1 by the Gallup Organization for ECO Inc., a Spanish-language television network and news service based in Los Angeles and affiliated with the Mexican television network Televisa.

The poll, involving interviews with 2,960 people, had a margin of sampling error of plus or minus 3 percentage points.

In the Mexico City area, where one-quarter of Mexico's 83 million people live, Mr. Salinas has the support of only 47 percent of the electorate, the survey shows. But comfortable majorities elsewhere in the country, including two-thirds of the vote in the backward and impoverished states of the south, more than compensate for his weak showing in the capital.

The findings are certain to heat up the debate about the election and about the function and reliability of polls as the race enters its

final two weeks. Both Mr. Clouthier and Mr. Cárdenas are on record as saying that the only way Mr. Salinas can possibly win is through large-scale electoral fraud carried out by the PRI, as the ruling party is known, and that such fraud is already well under way.

Electoral polls have, until this year, been regarded in Mexico as of relatively little interest or importance, since the outcome of every election was a foregone conclusion.

The ruling party has never lost a presidential or gubernatorial election since coming to power in 1929, but accusations that it has engaged in widespread electoral fraud to pad its totals have become increasingly common as the political opposition has come close to victory in several recent state and local elections.

As recently as the 1976 presidential election, the ruling party candidate, José López Portillo, ran unopposed and won all the recorded 16.7 million votes cast. In 1982, Miguel de la Madrid received 71 percent of the total vote, compared to 16 percent for the National Action Party.

The campaign this year, however, has evolved into a hotly contested three-man race that has prompted more public interest and debate than any election in nearly half a century.

The increased competition has led to a burst of polls conducted by newspapers and television stations, universities, political parties and public opinion groups.

Most of those polls, however, have been regarded as of dubious reliability. Questions have been

raised about the sampling size and methods used, the political affiliations of those taking the poll, the failure to poll in the countryside and the tendency to project results from Mexico City as being indicative of nationwide trends.

"The majority of the polls have a specific objective," Adrian Lajous, author of "The 1988 Electoral Dispute" and a prominent political commentator, said last week. "They start from the base that Salinas or Cárdenas or Clouthier is going to win. I don't believe in polls, much less the ones being done now."

Nevertheless, said Héctor Aguilar Camín, editor of Nexos, an influential political and intellectual monthly journal, the sudden fascination with opinion polls "reflects the political effervescence in the country and the growth of public opinion" in the political process. The desire to find out how the electorate really feels, he said, "is a new signal of concern with political legitimacy."



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5 Officials Reassigned in Pentagon Inquiry

Compiled by Our Staff From Dispatches

WASHINGTON — Defense Secretary Frank C. Carlucci is reassigning five Pentagon officials who are under scrutiny in the Pentagon bribery investigation, sources said Tuesday.

The five were identified as James E. Gaines, a deputy assistant navy secretary; Victor D. Cohen, a deputy

assistant air force secretary; George Stone, a navy official in the Space and Naval Warfare Systems Command; Stuart Berlin, an executive with the Naval Air Systems Command, and Jack Sherman, a Marine Corps official who works in the equipment and service acquisition section.

The affair came to light June 14,

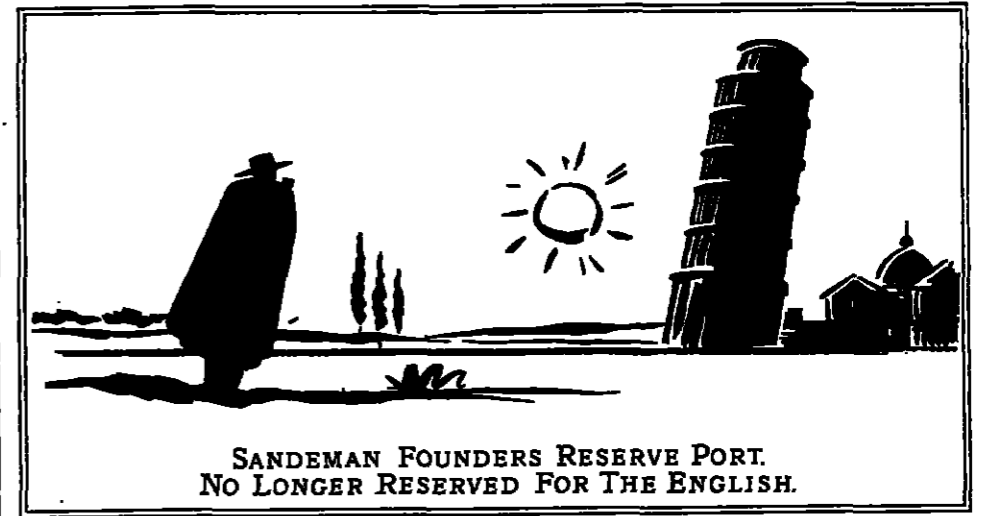
when federal investigators seized materials from military contractors, consultants and Defense Department officials.

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AMERICAN TOPICS

Why Civilians Fight the Civil War Anew

Just when reenactments of Civil War battles began to open a dispute, the novelist Rita Mae Brown writes in *The New York Times*, but they took their elaborate present-day form with the 100th anniversary re-creation of the First Battle of Bull Run, now in the South as First Manassas, in 1961.

These days, reenactments are annual events at battlefields ranging from Gettysburg, Pennsylvania, to Vicksburg, Mississippi. The civilian volunteers doing part "may not be subject to actual bullets, but like their ancestors they must push on through clouds of sulfurous smoke and risk being trampled by horses untrained as cavalry mounts and crazed by the noise," the author notes. "Infantrymen discover that, even if they think they know where they are going, it's damned difficult when you can't see two yards in front of your face. A continued artillery barrage envelopes people in thick blackness and the heat, escalating dangerously, is suffocating."

"You are practically blind, exhausted, raked with thirst and, even if the other side isn't trying

to actually kill you, the thought of killing them to get out of this hellhole crosses your mind."

So why do people do it? Because "no other war, not even the Revolutionary War, has so fired the public imagination." Because "you'll learn more from one staged battle than from an avalanche of books." Because "for a brief moment, one is ripped away from the impersonal, over-regulated 1980s. And because 'a battle in which you can't be killed is the best kind there is.'"

Short Takes

Chevrolet has one solution to the problem of losing car keys or inadvertently locking them in the car. Its Corsica and Beretta models come not only with the standard metal keys but an extra set of plastic keys mounted in a holder the size of a credit card that fits easily into a wallet or purse. The keys are unbreakable and can be used several times before wearing out.

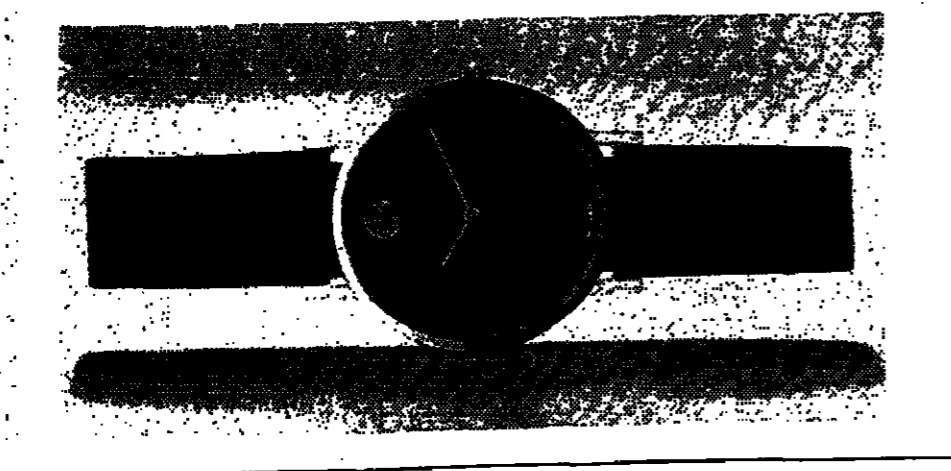
More and more parents are taking their small children with them when they dine out, and not only to fast-food restaurants. According to a survey of 10,000 families taken for the National Restaurant Association, the number of children under 6 patronizing better restaurants rose 43 percent from 1982 to 1986, far faster than the overall increase of 10 percent in that market. The *New York Times* says many parents now have more disposable income and less access to babysitters. "It used to be the few kids

you saw were loud," said Dan Kaspar, an Atlanta waiter. "Now there are more of them but they are well behaved. You can tell they are educated, used to going out."

Charlyne Hunter-Gault, who was one of the first two blacks to enroll at the University of Georgia in 1961, encountering the jeers and snubs of white students, said in a commencement speech at her alma mater this month on the 25th anniversary of her graduation: "If I had to do it all over again, I might have hoped for less of a struggle. But even today, I would welcome the challenge."

In a letter to *The Washington Post*, Louise Chesnut wrote that but for National Airport, in the heart of the metropolitan area, she and her husband, now retired, might well have started staying up to watch television and sleeping late. "The airport has saved us from such a self-indulgent and sloppy way of living," she wrote. "The airport is more efficient at waking us than even the most strident of alarm clocks, and it is not subject to electrical outages. We are roused regularly each morning at exactly 7:01, as the first planes streaming out of National pass overhead. The 7 o'clock flights are so numerous that we are not tempted to pull a pillow over our ears and try for a little more sleep, but arise promptly."

Arthur Higbee



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OPINION

INTERNATIONAL Herald Tribune

A Corrupt System

In the Pentagon weapons-buying scandal, some critics fault the hands-off management style of former Defense Secretary Caspar Weinberger...

How to Help Haiti

After a brief time of hope that ended last November, Haiti has been sliding backward toward its traditional politics of plunder and violence...

Other Comment

Only a Hesitant Beginning

Mikhail Gorbachev has inaugurated a new phase of de-Stalinization, but, as with each previous flurry of revisionism, his condemnation of Stalin has reached no further than necessary to consolidate his leadership...

Japan and the Middle East

Foreign Minister Sosuke Uno this week visits the Middle East to search for ways in which Japan may contribute to peace in this region of conflict...

The Actress Has Apologized

At the height of the Vietnam war in 1972, actress Jane Fonda went to Hanoi to protest U.S. involvement in Southeast Asia...

The Stench May Get Worse

The grand jury investigation of bribery and corruption in the Pentagon's procurement program, is starting to show every sign of developing into a gale-force scandal...

Nuclear Weapons: The Only Acceptable Level Is Zero

By Charles J. Haughey

The writer is prime minister of Ireland.

DUBLIN — Recent developments should not cause us to lose sight of the deeply troubling currents in a world which is still far from abandoning the age-old reliance on military strength...

thousand test explosions have taken place. Ireland believes that a Comprehensive Nuclear Test Ban Treaty is the first priority...

ment should be reached on the total elimination of chemical weapons, the use of which must be regarded with universal revulsion.

urged upon us by respect for human rights and concern for survival. Mine is a small country. We are not member of any military alliance...

This comment was adapted for the International Herald Tribune from an address on June 22 to the United Nations special session on disarmament.

Vulnerable America Needs Nuclear Deterrence

By Jeane Kirkpatrick

WASHINGTON — At last the discussion of foreign policy has begun in the American presidential campaign.

We need an anti-tank weapon that can stop Soviet tanks. He believes that America has a "massive and survivable nuclear deterrent," but he did not imply, nor does he presumably believe...

stand the revolution in technical thinking and conventional tactics of war. Conventional thinking and conventional defenses failed France, as conventional thinking and conventional defenses can fail the United States.

Gulf War: A Face-Saving UN Formula to Bring Iran Around

By Anthony Parsons

EXETER, England — It is almost a year since the United Nations Security Council unanimously adopted its mandatory Resolution 598...

reason to agree to a cease-fire. This could be achieved by the Security Council publicly adopting a more impartial posture. It would be hard to sell to Iraq, but Baghdad might be prepared to accept a diplomatic setback if it opened the door to peace.

the tanker war, Iraq that first used chemical weapons and Iraq that started the bombardment of cities. A statement from the council acknowledging these facts might do more to bring Iran to the table than an arms embargo or other mandatory sanctions which would reinforce the leadership's larger mentality.

the Soviet Union and China should not find such a solution totally unacceptable. France has just reopened relations with Tehran, and Britain has asserted its impartiality.

Council, whatever its members think of the atrocious international behavior of the Khomenei regime, not prepared to acknowledge that needs something more than impositions in Resolution 598 to show it is not a bluff.

This Savy Russian Saw Iran as the Place to Fear

By John K. Cooley

LONDON — It seems like yesterday, a summer noon in Washington, 1979. Much of the media was celebrating the signing of the SALT-2 Treaty by Jimmy Carter and Leonid Brezhnev.

crisis), Mr. Kazankan "argued to Stetsko that the United States was 'not doing enough to help the shah.'" Alexander Zotov never said anything like that to me. What he did say was: "You and we both fooled around in Iran before. We got burned. You'll get burned, too, unless you're very careful."



1920, after generations of warfare and killings of Armenians by Turks, Kurds and sometimes Russians. After 1920, the Turkish-Soviet boundaries drawn across their territory became what to Armenians seem like permanent partitions.

100, 75 AND 50 YEARS AGO

1888: News Summary

PARIS — China: An alarming rebellion on the part of the large numbers of persons left destitute by the recent inundations of the Yellow River is reported to have broken out.

1938: Fire at the Louvre

PARIS — The firemen of Paris last night (June 21) prevented serious financial and cultural loss when they put out a blaze on the roof of the Louvre over the Grande Galerie.

1913: Reply to Russia

ST. PETERSBURG — The Russian Government proposed to the United States to renew the treaty of commerce denounced by the United States apropos of the incident connected with passports of American Jews travelling in Russia.

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OPINION

Newspapers, Boringly Clean, Have Forsaken the Unwashed

By Jim Fain

WASHINGTON — Sometime in June 1938 I got a job as a newspaper reporter. After 50 long years, here are a few curmudgeonly sentiments on the state of the press, then and now. I will concentrate on the significant. As a result we lost circulation and, worse, intensity of readership. We destroyed our most valuable asset: the interactive bond with readers which produced a unique chemistry. When we were vital, there was a low-bate relationship that maintained mutual respect. It's mainly gone, alas. As the number of papers dwindled in America, those perceiving themselves most reverently as supra-governmental institutions became the industry model. Iconoclastic owner-publisher died off, to be replaced by bureaucrats vying for trade association chairs, slavishly copying each other's "products," gloying in the attentions of the powerful and willing to sell their mothers for the key to the men's room of the ruling Eastern elite (New York Times, Washington Post, Wall Street Journal). This access is not, however, for sale. The satraps are too shrewd to share. Television has a vital role in journalism but it complements print. Newspapers shot themselves in the foot, led by egotists who forgot what we are about. The First Amendment gives us unique freedoms not because we are fair-haired or even just but because we have an indispensable service to perform. It is to ingrain readers with the information they must have to make democracy work. This process is incomplete until we make the information compellingly interesting and easily understandable. It can't be done with wordy, woolly esoterica. The only hope is to reach honestly and humbly for linkage to the public's nervous system. Cox News Service.



'Hi, I'm Jim,' They Tell Me; I Want to Reply, 'Buzz Off'

By Richard Cohen

WASHINGTON — It's a miserable day, raining cats and dogs. I'm in a miserable mood, a thousand things to do and a plane to catch in the afternoon. I have overslept and now I am trying to do two hours' worth of errands in one, pushing the car through traffic, looking for parking spaces and running in and out of stores. At each one, I am forced to lie. "How are you today?" every clerk asks. What business is it of yours? I want to say, "All I want is a shirt, a tie, my dry cleaning, a container of orange juice. I do not want to tell a perfect stranger how I am. In the first place, it's none of his business. In the second place, I know he doesn't care. All he wants is my money. 'How are you?' he asks. 'Fine,' I lie. 'Fine,' I hate it. Whatever happened to 'hello'? It was such a wonderful word. 'Hello, Hello.' Perfect. It was just a greeting. 'Hello.' Hello. I liked "Hi," too. But "Hello" is my favorite. It's such a nice way of saying "Welcome" or of getting someone's attention ("Hello! What's this, Watson?" said Sherlock Holmes.) "Good morning" is fine, and so is "Good day," but "Hello" is my favorite. It's so easy on the tongue, so absolutely neutral — just a way of saying, well, hello. Try it: "Hello, Hello." But the best thing about hello is that it's honest. It is wood, not plastic, real cream, not some chemical confection. It does not require a lie in response. When I am asked, "How are you?" the response "Fine" is often not true. I am usually not fine. In fact, I have not been fine since 1949, and there are days when I am downright miserable. Sometimes I say just that: "Miserable." Do these sincere clerks even listen to my response? No. Usually they say, "That's good. May I show you some ties?" Only sometimes — every once in a great while — one of them will actually pay attention. I answer "Miserable," and something happens to his face, something totally inappropriate. It doesn't drop. It lights up. It beams. You know why? Because then he tells me his problems — customers that have given him a hard time, the travails of retailing. I should write about it in the newspaper, he will say. I think, do not compare your problems with mine. Mine are cosmic, gargantuan, complex. But I do not say that. I listen. I am a saint. I also hope for a discount. The question "How are you?" is yet another reflection of the false sincerity infecting America. The more atomized society gets, the more we opt for synthetic sincerity, a kind of verbal Muzak that plays in the stores: the white noise of remaining. How's it going? How are you? It is one thing when a clerk you know asks "How are you?" because in that case there is an outside chance he may really care. I know clerks who have been serving me for years. They know me. They know my son, and some of them even ask about my car (I'm fine, my son's fine, but the car, alas, is a goner). But anonymous clerks? Who wants to tell them? Buzz off. I'll give you a variation of this false sincerity. "Hi, I'm Jim," the waiter says. Can I say, "Who cares what your name is, fella? Just bring me a drink." No. I have to treat him like a friend, a pal. "Hi, Jim. How-are-you? Richard's the name, journalism's the game. My sign is Aquarius. Sit down, Jim. Can I bring you something?" The little lies, the squalid little pretenses, add up. It's like a drizzle of insincerity — an entire nation trained to be Marriot hostesses, millions and millions of faceless people asking me over and over again how I am. I'll tell you how I am. I'm sick and tired of being asked the question. I want the entire country — every man, woman and child — to go back to saying "Hello." Hello, hello! Is anyone listening? Washington Post Writers Group.

Congress Is No Innocent Bystander

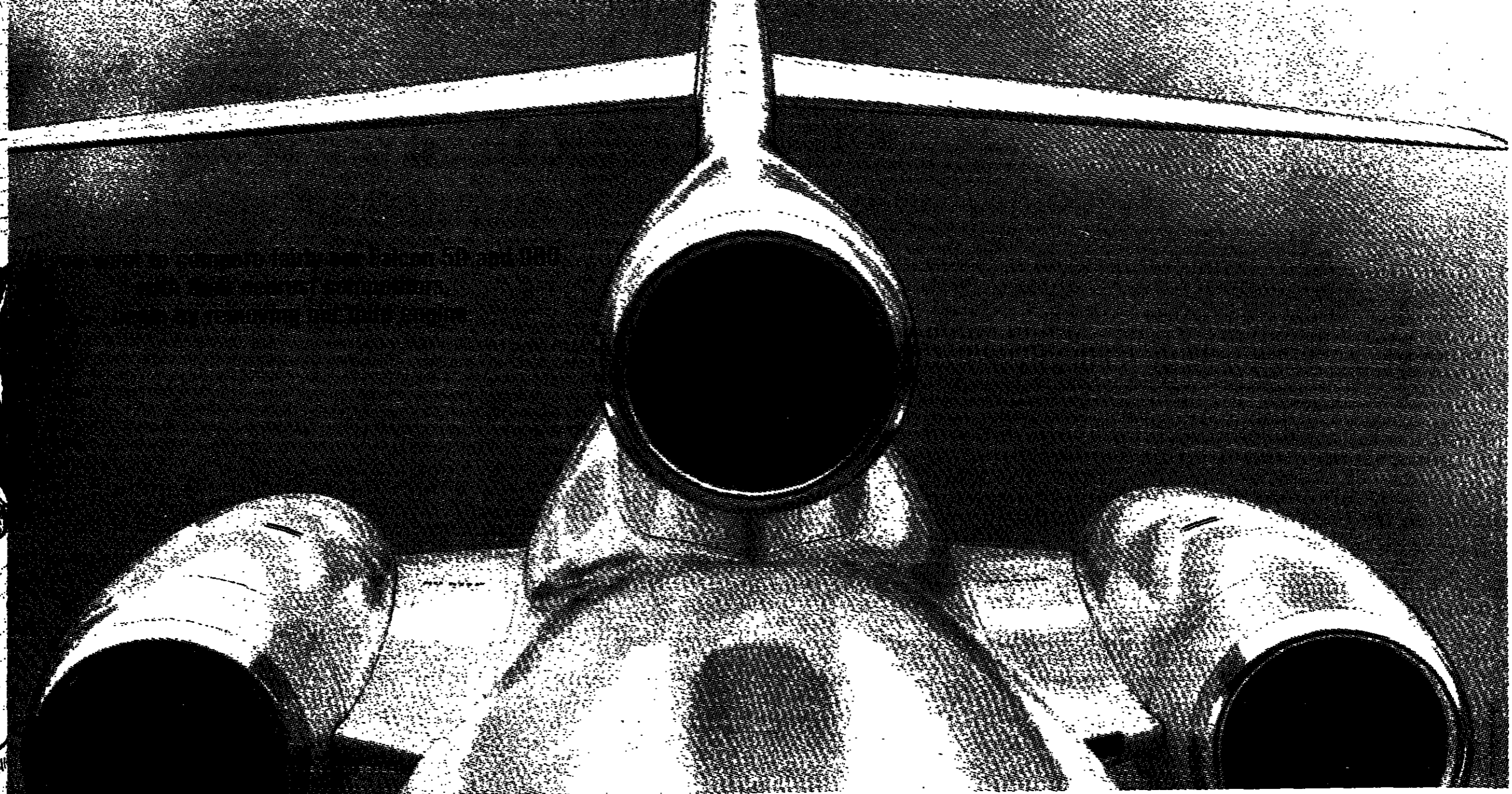
In the 1950s, the liberal academy and its acolytes in the American press concluded that the U.S. system of government had two flaws. One was the doing occupant of the White House, Dwight Eisenhower, who was allowing presidency to wither away. The other Congress, a backward, obstructionist body of Democrats and isolationists. The solution was simple: a vigorous new president who would restore the Senate to its rightful place as the center of national power and authority, reeling Congress to its proper role as a compliant junior partner. John F. Kennedy seemed to fill the bill. His grave was still fresh when a new dawn began to take hold in the press. It was threatened by an "imperial presidency." It launched the nation Vietnam and carried out the Watergate conspiracy. Later it perpetrated Iran-contra affair. Congress, in all

Sanctions Debate Is Full of Folly and Wishful Thinking

Regarding "Now a Season of Opportunity for Southern Africa" (Opinion, June 14): Anthony Heard assumes that the Afrikaner, led by President Pieter W. Botha, is both rational and democratic. History says otherwise. The Afrikaners are a prime example for Barbara Tuchman's book, "The March of Folly"; Pretoria meets all the criteria of a government pursuing policy contrary to self-interest. Mr. Botha's mandate to govern comes from a small percentage of the population. Power-sharing is not in the nature of the Afrikaners. One pretext for the Anglo-Boer War was the refusal to franchise a minority of English-speaking citizens, the Uitlanders. Angola and Namibia will be South Africa's Vietnam if the Afrikaners continue to ignore United Nations Resolution 435 — which calls on South Africa to end its rule of Namibia — and try to hold on to the spoils of World War I. If the Afrikaners continue to destabilize and beggar the 75 million Africans in southern Africa in the selfish interests of 2.5 million Afrikaners, history will make the decisions, not a Botha-led oligarchy. [Name withheld]. Paris. To oppose sanctions against apartheid on the grounds they will promote economic growth in South Africa, as The Washington Post does ("No to New Sanctions," Opinion, June 16) is wishful thinking. The three decades beginning in 1945 saw relatively rapid economic growth in South Africa and also the rapid growth of apartheid doctrine and practice. While black employment grew, black/white in-

Letters to the Editor

prosecution under state-of-emergency laws, avoided calling for a strike" — which would have meant withholding labor — on the anniversary of the 1976 Soweto uprising. Blacks face this kind of circular reasoning: Withhold your labor to bring about change, but if you withhold (or advocate withholding) your labor, you will be imprisoned. JOSEPH SELMORE, Paris. How can anyone "appreciate" South Africa's press restrictions, as Cynthia Coetzee (Letters, June 8) claims. She writes that "naturally these restrictions are not accepted by those who want the world to think the situation in South Africa is deteriorating." To the contrary, we don't want these restrictions because we want to show the world the institutionalized violence and brutality of the racist white government of South Africa. H. KGABO, Vichy, France. Neither Hide Nor Glorify Regarding "Official Nazi-Era Painting: Is It Kunst, Kitsch or Just Junk?" (May 24) by Serge Schmemmann: It is understandable that the public is interested in seeing art created during the Nazi period in order to make judgments regarding its content and quality. Therefore, I would agree with Peter Ludwig's argument that it is time to stop trying to hide 12 years of German history. But Mr. Ludwig's personal actions should be viewed in a different light. It is one thing to present an exhibition of works created for the Nazi regime; it is quite another to commission Arno



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Foreigners' Expulsion Signals Prague Harshness on Activists

By John Tagliabue
New York Times Service

WARSAW — The expulsion by Czechoslovakia of 32 foreign participants at a human rights conference indicates an increasingly harsh atmosphere in Prague toward independent movements for human rights and other causes.

The foreign participants, including six Americans from a New York organization called the Campaign for Peace and Democracy, were detained Saturday morning, held for about six hours and ordered to leave the country. The

authorities also detained as many as 10 Czechoslovaks.

They had been taking part in discussions organized by the human rights organization Charter 77 and the Independent Peace Council, a Czechoslovak anti-war group.

The meetings were the fourth in a series that have been convened in Eastern Europe by independent anti-war groups from East and West in recent months. Earlier gatherings took place in Budapest, Warsaw and Moscow.

The Prague conference was the

first to be disrupted by government authorities.

The Czechoslovak authorities have stepped up their activities in recent weeks against independent organizations like Charter 77.

The Communist Party newspaper, Rude Pravo, published an editorial timed to coincide with the close of the Moscow summit meeting in which it denounced the activities of independent groups it said were supported by Western governments to destabilize East bloc countries.

Josanne Landy, one of the American participants at the human rights conference, said plainclothes and uniformed police officers raided the apartment of Jan Urban, a member of Charter 77, on Saturday morning and rounded up participants in the meeting.

Ms. Landy said that on Friday the police had raided another apartment in Prague, disrupting a similar meeting and detaining about 20 Czechoslovak organizers. "We asked the police what law we were breaking, discussing at the grass roots level the same issues that Gorbachev and Reagan discussed at the summit," she said by telephone from Vienna on Sunday. "But they never gave us an answer."

By Sunday afternoon, it was understood that the detained Czechoslovaks had been released.

Among those held Saturday were numerous signers of Charter 77, including their spokesmen, Milos Hajek and Stanislav Devaty.

One of the purposes of the two-day gathering was to discuss a proposal for a European peace parliament, comprising anti-war and human rights organizations, to discuss such issues as the promotion of human rights, conscientious objection to military service and the role of the military in both Eastern and Western societies.

Participants at the meetings came from 15 countries, ranging from West European countries, including Britain and Italy, to neutral countries such as Austria, Switzerland and Sweden, and East European nations, including Hungary, Yugoslavia and Czechoslovakia.



RIOTS AT THE WALL — East German border guards wear masks to protect themselves from tear gas used by West Berlin police to quell rioting near the Berlin Wall by a group of squatters, who were protesting plans to construct a road near the Potsdamer Platz.

Communists In Italy Elect Chief From Party's Left

ROME — Italy's Communist Party, the biggest Marxist party in the West, elected Achille Occhetto, a member of the party's left wing, as its new leader on Tuesday to tackle a sharp slump in their support.

Party officials said their central and control committees had overwhelmingly elected Mr. Occhetto, 52, to replace Alessandro Natta, 70, who is sick and resigned on June 13.

There were only three votes against his election, all from the party's right wing, and five abstentions among the 286 members of the two committees, the officials said.

Mr. Natta, who is recovering from a heart attack, resigned after the Communist Party suffered its worst defeat in 35 years in local polls at the end of May. Its share of the vote slumped to just over 22 percent, five points down on general elections a year ago, in which it had already experienced a sharp setback.

The Italian party has long been the biggest Communist grouping outside the East bloc and has been Italy's second biggest party for most of the period since World War II.

But its support has declined steadily over the last decade under pressure from the Socialists of the former prime minister, Bettino Craxi. It is also suffering from the debilitating effect of 40 years in opposition and from a failure to update its image in the face of a changing, more affluent Italy.

The Socialists seem poised to topple the Communists from their traditional leadership of the Italian left after the gap between the two parties in last month's local polls narrowed to less than 4 percent. The difference was 25 percent a decade ago.

After the Communists' poor showing in the general election in June, Mr. Natta designated Mr. Occhetto as deputy secretary and future leader. Since last July, he has effectively led the party because of Mr. Natta's illness. He was the only candidate in the leadership election.

In the past year, Mr. Occhetto has overcome trenchant opposition from the right wing.

Earlier in the central committee meeting, he promised new openness in the party. He said the Communists would present a clearer, more incisive opposition to the five-party Italian government. The coalition is made up of Christian Democrats, Socialists, Liberals, Social Democrats and Republicans.

The new leader, who has represented a district in Sicily in the Chamber of Deputies since 1976, added: "Nobody should think that we want to discourage or restrict discussion, but everybody must play their part."

U.S. Dubious About Its Data on Pakistan

By David Ottaway
Washington Post Service

WASHINGTON — Administration officials are concerned about the quality of intelligence they have been receiving on recent fast-breaking events in Pakistan and Afghanistan and debating whether to send a special U.S. envoy to serve as liaison with the Afghan resistance to improve it.

Since the start of the resistance's struggle against the Soviet occupation in late 1979, sources said, President Mohammed Zia ul-Haq of Pakistan and his inter-service intelligence unit have had a near-total control over contacts, intelligence and the amount of U.S. arms flowing to the various Afghan rebel factions.

Many U.S. officials now privately acknowledge that the United States has been far too dependent on Pakistani intelligence for information about internal Afghan rebel politics, and probably on General Zia's own assessment of internal Pakistani developments as well.

Long-standing concern about this problem has become the subject of active debate inside the administration, prompted in part by General Zia's surprise decision May 29 to dissolve his government and Parliament and in part by

sure from Congress for closer direct U.S. relations with the Afghan resistance.

Senate Majority Leader Robert C. Byrd, a West Virginia Democrat, and Minority Leader Bob Dole, a Kansas Republican, Wednesday wrote a letter to Secretary of State George P. Shultz urging him to appoint an ambassador-at-large to monitor Afghan rebel activities and coordinate U.S. policies. The two Senate leaders made it clear they were ready to hold up confirmation of "a number of worthy ambassadorial nominees" unless Mr. Shultz names such a special envoy.

At the center of the debate inside the administration is Arnold L. Raphael, the U.S. ambassador to Pakistan who has a reputation as one of the State Department's brightest and most effective career diplomats. Questions about Mr. Raphael's reporting were intensified after General Zia's sudden decision to fire his prime minister, Mohammed Junejo, and dissolve Parliament.

Officials said that this came as a total shock to the State Department, which had no advance warning he was about to make such a decision.

The department's surprise was all the more acute because Mr. Raphael was with General Zia only a few hours before he announced the decision. But Mr. Raphael reportedly did not even pick up a hint of what he was about to do.

There is the suggestion in some State Department circles that one

of its best diplomats may be suffering from a case of "clientitis," depending too much on information provided by General Zia and his closest associates for an assessment of the internal situation.

However, Representative Charles Wilson, a Texas Democrat who just returned from Pakistan, defended Mr. Raphael's performance. He said General Zia's decision to fire Mr. Junejo came like a "bolt out of the blue" and that no more than three of General Zia's closest confidants knew beforehand of his intentions.

Some sources said the problem went much further than Mr. Raphael. They said the whole U.S. Embassy in Islamabad, reflecting the general attitude at top echelons of the State Department, was not anxious to find signs of trouble in Pakistan's experiment with democracy because its supposed success has been a major selling point in seeking congressional support for billions of dollars in U.S. aid.

One of the recurrent problems, sources said, has been Pakistan's efforts to build a nuclear bomb with materials bought secretly in the United States, even while General Zia and Mr. Junejo were assuring the Reagan administration that it had no such intentions.

General Zia is regarded at the State Department and White House as one of the United States' closest strategic allies. But his strong support for the most radical Islamic fundamentalist among the Afghan alliance's seven leaders, Gulbuddin Hekmatyar, and his

abrupt decision to dissolve Parliament are posing serious new policy problems for the administration.

In addition, General Zia has apparently done little to crack down on the thriving drug trade inside Pakistan, a fact that could force a reduction in U.S. aid.

But the administration remains reluctant to upset U.S.-Pakistani relations over these issues while Pakistan continues under the threat of Soviet or Afghan government retaliation. The threat is becoming daily more acute, according to Mr. Wilson and several U.S. officials, because of General Zia's continuing strong support for the alliance, including the uninterrupted flow of U.S. arms to the rebels.

Both Soviet and Afghan government officials have repeatedly accused Pakistan of blatant violation of the April Geneva accords on the Soviet troop withdrawal. They also stipulate that Pakistan must stop all assistance to the alliance from its territory.

Some U.S. officials are arguing there is no diplomatic need for a special envoy because the U.S. Consulate in Peshawar already fulfills that duty.

French Test Nuclear Device

WELLINGTON, New Zealand — France has tested a small nuclear device at Mururoa, the 98th in a series of underground tests on the South Pacific atoll, New Zealand scientists said Tuesday.

Dining Out

<p>GENEVA</p> <p>NUANCES Lake shore restaurant/terrace - Fine dining in a relaxed atmosphere on the right bank of Lake Geneva. 2 minutes from the center, with view over the lake and mountains. Hotel President - Tel. 31.10.00.</p> <p>NEULILLY</p> <p>ASHIANA Indian gastr. Traditional gastr. refined surroundings. Avar. pr. 1.40. Air cond. Dly. 205 av. Chateaubault. Tel. 46.24.42.43. Closed Sat. & Sun.</p> <p>LA CHEVAUCHEE Spanish spec. & traditional cooking. Refined setting. Business meals. 229 av. des Chateaux. Tel. 46.24.87.88. Cl. Sat. Lunch & Sat.</p> <p>JARRASSE As refreshing as the sea, specialties in five fish. Bouillabaisse. Oysters, shell fish, live oysters, live crabs. 4 Ave. Madrid. Tel. 46.27.16.52 or 46.24.07.55. Closed Sunday night & Monday.</p> <p>PARIS 1er</p> <p>FRUNIER-MADEIRNE 9, rue de la Harpe. Tel. 42.66.66.04. Everyday. Has specialized in 180 food items 1872. New chef. MARK SINGER. Lunch menu fr. 2.70 including wine. Open in August.</p> <p>PARIS 2nd</p> <p>KITTY O'SHEA'S PUB Site of the famous Dublin Pub located 50 yards from Ft. Verdun. The French name of this Irish Pub and excellent draught beer. Op. 7 days. 10 R. Copuques. T. 42.15.08.08.</p> <p>JOHN JAMESON The first Irish restaurant in Paris, recommended by major guides. Irish lunch fr. 15 and 10 to 12. Sunday brunch. Closed Monday. 10 Rue Copuques. 42.15.08.30.</p> <p>INDRA AND VISHNOU The most exclusive Indian restaurant in Europe recommended for its cuisine, decor & hospitality. Recognized by gastronomical papers internationally. Has been awarded places in Paris, Rome, New York, Montreal, INDIANA, 10, Rue de la Harpe (Paris) (St. Philippe - St. Germain). 43.59.44.40. (Midi). 11, Rue de Valenciennes (Paris) (Opera). 42.97.56.54 & 42.97.56.46.</p> <p>PARIS 5th</p> <p>DIAPASON Refined cooking. 1988 Gault-Millau Guide (1/20). Chef's special business menu (PF 145) dining menu (PF 150). 30 Rue de Bernadine. Tel. 43.24.11.12.</p>	<p>PARIS 5th</p> <p>RAFFAËL & HONORINE The famous press has made us famous. Delicacies specialties & traditional cooking. Regional dishes - Lunch - various. Daily. 16 Rue de Valenciennes. Tel. 42.24.22.71.</p> <p>PARIS 7th</p> <p>THOUVENEL Specialties of the South-West. Gastr. de conseil & conseil au cordon de canot. Cl. Monday. 79 rue St-Dominique. Tel. (1) 47 05 49 73. Near Invalides Terminal.</p> <p>PANTAGRUEL Traditional cuisine. Specialties, warm feelings with traditional fish and Portuguese duckling. 20, Rue de Valenciennes, Paris. Tel. 45.51.79.96.</p> <p>PARIS 8th</p> <p>LE BISTROT D'ARMAND Between the Champs-Élysées & the Bois de Boulogne. Bistrot & his team will receive you in an intimate & cordial setting. Gastronomic cooking (from 0 to 1000 francs daily spec.). Nice dining room & reception room seating 30 for business meals. 5, rue de Valenciennes, Paris. 42.25.61.67. (Cl. Sat. lunch & Sat.)</p> <p>LUDMILA PAVILLON RUSSE Dinner-supper. Russian atmosphere with labels in the 16th arrondissement. 45, Rue Valenciennes. Tel. 47.20.60.69.</p> <p>PARIS 15th</p> <p>LA TRUFFE BLANCHE - KOSHER Excellent French cooking. Both Din. Refined setting. Reservation for holidays. 16, R. Lenoir (75019). T. 42.79.59.99.</p> <p>PARIS 16th</p> <p>AU HAMEAU D'AUTEUIL Traditional cooking. Fish specialties. Flowered terrace on pleasant square in the 16th arrondissement. 5 place de Barcelonne. Tel. 45.25.74.21.</p> <p>PARIS 17th</p> <p>GOLDBERG WAGRAM Smelly herings - Pastries - Cream cheese (appetizer) and hot homemade - Cheese cake & all the rest. Jewish spec. 69 Av. de Wagram. Tel. 42.27.34.79. Every day up to midnight.</p> <p>VIENNA</p> <p>KERVANSARAY Turkish & Int'l specialties, lobster bar, best seafood restaurant, 1st floor. Mahlerstr. 9. Tel. 51.2864. Air conditioned. 10 a.m. - 11 p.m. 5 a.m. - 6 p.m. except Sunday. Open holidays.</p>
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Bahrain Has First Talks With Moscow's Envoy

BARRAIN — Bahrain on Tuesday held its first official talks with the Soviet Union, the Foreign Ministry said.

Moscow's ambassador to Kuwait, Ernest Zverev, discussed with the Emir of Bahrain, Sheikh Isa bin Sulman al-Khalifa, Soviet views on ways to end the Iran-Iraq war and the Palestinian problem.

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Greece Dr.	25,000	47	14,000	41	7,700	35
Ireland £Ir.	155	43	85	38	47	31
Italy Lire	400,000	39	220,000	33	121,000	26
Luxembourg L.Fr.	11,500	37	6,300	31	3,400	25
Netherlands FL	660	40	365	33	200	27
Norway (air) N.Kr.	2,000	39	1,100	33	600	27
— (hd. del.) N.Kr.	2,500	24	1,400	15	700	15
Portugal Esc.	26,000	51	14,300	46	7,900	40
Spain (air) Ptas.	31,000	41	17,000	36	9,400	29
— (hd. del.) Ptas.	45,240	—	22,620	—	11,310	—
Sweden (air) S.Kr.	2,000	39	1,100	33	600	27
— (hd. del.) S.Kr.	2,500	24	1,400	15	700	15
Switzerland S.Fr.	510	44	280	38	154	32
Rest of Europe, N. Africa, former Fr. Africa, Middle East \$	470	Varies by country	260	Varies by country	145	Varies by country
Rest of Africa, Gulf States, Asia \$	620	Varies by country	340	Varies by country	190	Varies by country

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CIA Profiled Waldheim in 1970s

WASHINGTON — Somewhere in the files of the Central Intelligence Agency there is a psychiatric profile of Kurt Waldheim dating from the 1970s, when he was secretary-general of the United Nations.

The study was made by a psychiatrist who was dispatched to New York by the agency in 1973 and temporarily attached to the United States' UN delegation whose chief delegate was then George Bush, now the vice president, according to a high-ranking former government official.

The official said the unusual arrangement came about when the CIA requested that the American delegation assist the psychiatrist in making it possible for him to observe Mr. Waldheim at close quarters, "including the cocktail circuit," for several months.

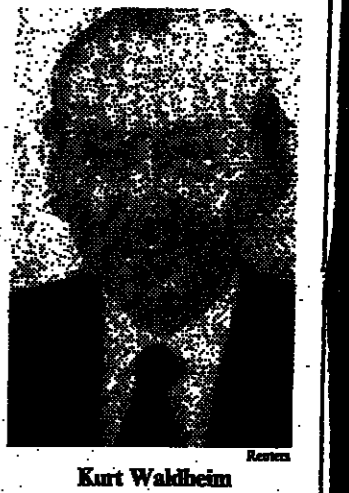
Mr. Waldheim, now president of Austria, became secretary-general in 1972 and remained at the post for 10 years.

The psychiatric study long preceded the exposure of Mr. Waldheim's activities in World War II as a German army lieutenant who was at the scene of war crimes in the Balkans.

He is now on a list of foreigners barred from entering the United States.

The CIA has long refused to make public any information from its files on Mr. Waldheim and declined comment on the psychiatrist episode.

But specialists on Mr. Waldheim's case have said there is strong reason to believe that the agency, along with the intelligence services of the Soviet Union and Yugoslavia, had a long association with the Austrian, perhaps for as long as 41 years.



Kurt Waldheim

Pinochet's Shadow Burdens Chile's Press

By Shirley Christian
New York Times Service

SANTIAGO — When Juan Pablo Cardenas, a magazine editor checked in recently for his usual night in jail under a sentence for offending the military, he was arrested on another charge and taken to jail in another town.

Although in Chile's pre-election climate the press appears to be publishing anything it might want to publish, Mr. Cardenas's problems reflect the fact that the government of President Augusto Pinochet still has the power to arbitrarily punish those who do so.

Mr. Cardenas, editor of the weekly magazine *Análisis*, is the most celebrated of the 28 journalists charged or serving sentences for things they have written or published. Most, like Mr. Cardenas, are being or have been processed by military courts on charges of offenses to the armed forces.

The great majority are free on bail while fighting their cases, with only Mr. Cardenas currently serving a sentence on conviction.

On July 8, Mr. Cardenas will have completed a year of his 341-night sentence for an editorial he wrote two years ago describing the Chilean Army as "the army of occupation of Pinochet" and asserting, among other things, that the Pinochet government was repressive and lacked civilian support.

But throughout his sentence, which he serves by sleeping in jail from 10 P.M. to 7 A.M., he has continued to go to his office daily and edit the magazine. In mid-April, *Análisis* carried an article about the armed forces' purchases

of helicopters and other military equipment from France, South Africa and Israel.

In reaction, the naval prosecutor in Valparaiso, the port city that is the home of the Chilean Navy, had Mr. Cardenas arrested on May 25 when he showed up for his night at the jail in Santiago.

He spent the next five days detained in Valparaiso, along with the author of the article, Iván Badilla, until the court learned that Mr. Cardenas had been out of the office sick when that issue of the magazine was prepared. He was freed and the assistant editor, Fernando Paulsen, was arrested. Mr. Badilla and Mr. Paulsen now are seeking release on bail.

Mr. Cardenas, who estimates the readership of his magazine at 25,000 to 40,000, identifies himself freely as an opponent of General Pinochet. He said the objective of *Análisis* was "to collaborate in the establishment of a democratic regime" and that he considered its most important role to be publicizing human rights abuses.

During nearly 15 years of military government, Chile has experienced only brief periods of prior censorship, but the government has

filled with the declarations, accusations and debate of about 20 political parties, General Pinochet, his advisers and numerous campaign organizations.

The government contends that the Chilean press now is functioning freely and that the public is getting all the information it needs or wants.

Foreign Minister Ricardo Garcia said during a recent conversation with foreign journalists that the Chilean press had "all the rights to inform but not to inquire."

He said the fact that 28 journalists were in some stage of legal process had nothing to do with the electoral campaign and did not interfere with coverage of it. The charges against them, he said, could have been made at any time.

Another prominent editor identified with the opposition, Emilio Filipi, recently won a four-year-old case brought against him by a military prosecutor. A charge of offenses against the armed forces was overturned by the Supreme Court in a case in which the magazine *Hoy* distributed chapters of a book by a former political prisoner.

Mr. Cardenas, 38, has attracted broad international attention with his nightly sojourns to jail. Many nights, he arrives for check-in surrounded by colleagues, other sympathizers, television crews and photographers.

Earlier this month, the American playwright Arthur Miller and the poet Rose Styron left a dinner at the home of the novelist Jorge Edwards to accompany Mr. Cardenas to jail. Visitors are not allowed inside the jail, but must leave him at the door.

During nearly 15 years of military government, Chile has experienced only brief periods of prior censorship, but the government has a wide range of other control mechanisms at its command.

Luxembourg's New Challenge

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The October stock market fall has not slowed a boom in Luxembourg's investment funds business.

Insurance 9

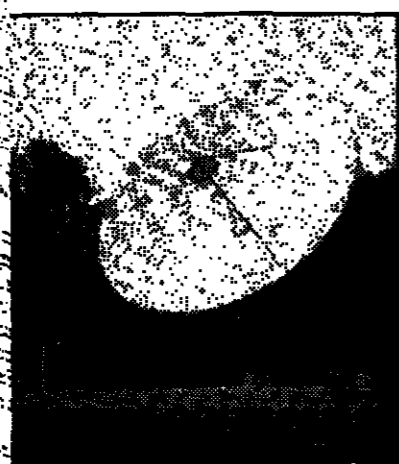
Efforts to establish the Grand Duchy as a center for captive insurance companies appear to be paying off with 67 reinsurance companies now registered in the country.

Private Banks 10

Luxembourg is trying to attract middle-class private banking clients by emphasizing its lower fees and tax advantages.

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Scandinavian banks represented in Luxembourg are seeking to win over the wealthy by providing improved and more specialized set-up services.



Economy 11

Luxembourg's concentration on special markets includes an ambition to become a center for a satellite-based television industry.

Tax Policy Survives Ministerial Review

'Harmonization of tax policy is no longer an issue. It won't happen.'

By Edward Roby

FRANKFURT — Key cabinet ministers of the European Community concluded their recent meeting in Travemünde amid scant public interest in their home countries — except in Luxembourg, where the future of Europe's No. 3 international financial center hung on the outcome.

The Travemünde ministerial meeting was only a prelude to the EC summit in Hannover, where crucial decisions were expected on the economic integration of 12 West European countries. But for Luxembourg, it turned out to be a victory that could make even the coming summit meeting anticlimactic.

The ministers decided against making uniformity in taxation policy a prerequisite for achieving the EC's 1992 goal of internal market integration with unrestricted capital transactions across borders. This should permit the Grand Duchy to retain many of the advantages that have attracted around 112 foreign banks, including the dominant contingent of 30 from West Germany.

Jacques Santer and Jacques F. Poos, the top government ministers who also handle finance and foreign affairs, briefed members of the banking community on the good news from Travemünde. The EC ministers agreed, bankers were told, that there would be no linkage of taxation with liberalization as long as Luxembourg and Britain opposed this.

"Tax harmonization is no longer an issue. It won't happen," said Ekkehard Storck, managing director of Deutsche Bank Luxembourg S.A., the center's leading foreign bank.

"There's no linkage between liberalization and taxation. They are two different things," concluded Hans-Ludwig Jordan, managing director of the Luxembourg Bank für Gemein-

wirtschaft. "That means: no disadvantage for the financial center, no inspections and banking secrecy remains intact."

The German bankers in Luxembourg insist their financial center has so many built-in advantages — ranging from infrastructure and location to expertise and sensible banking oversight — that no one is interested in creating a tax oasis in the heart of the EC. They prefer to stress the obvious benefits Luxembourg banks derive from unfettered money and capital flows.

"I think the Luxembourg government itself will avoid letting it become a tax oasis," said Volker Burghagen, managing director of Compagnie Luxembourgeoise de la Dresdner Bank AG, which began doing business in the Grand Duchy 21 years ago as the first German Euro-bank. "One cannot make the neighbors envious."

This won't be easy, judging from what has just happened in West Germany where the government stunned bankers, investors and small savers by unveiling plans for a 10 percent *quellsteuer*, a tax on interest earnings at their source. The German banks in Luxembourg now find themselves among the principal beneficiaries of the ensuing flight of capital from the home country.

"It's no secret that there has been a capital movement of some size out of West Germany," Mr. Storck said. "This money is seeking investment in Luxembourg and also in Switzerland, partly because of uncertainty."

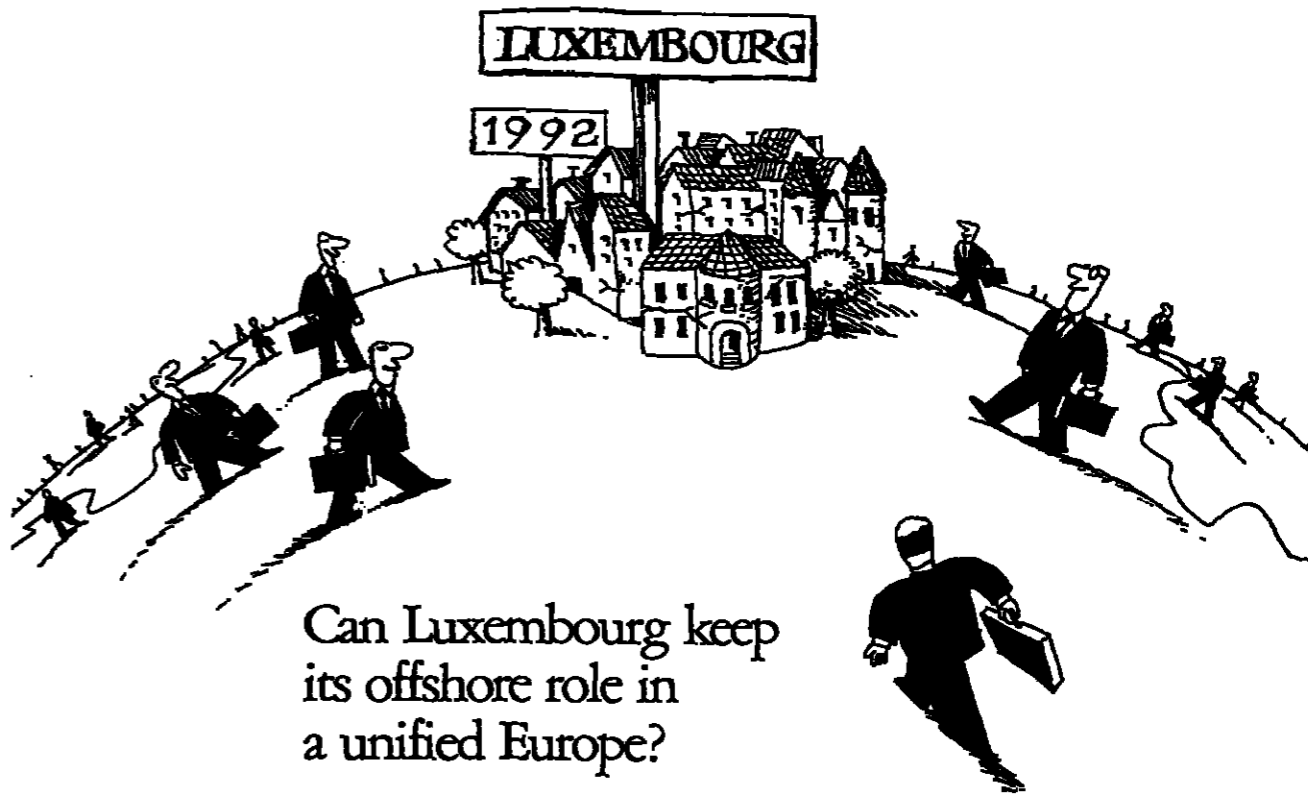
German bankers, convinced that the quellsteuer apparatus could cost as much money as it generates while damaging banking confidentiality, suspect their government might reconsider the idea. But the development comes at an opportune time for Mr. Storck's bank, which began for the first time last year offering its services to wealthy private customers.

The bank last year also launched a bond investment fund called Eurorenta that is already managing assets that have reached 4 billion Deutsche marks (\$2.3 billion), making it the fifth largest of its kind in West Germany.

Mr. Storck said the new private banking business, which has been intensively advertised in West Germany, has attracted between 1,300 and 1,400 customers, each with a minimum deposit of 500,000 marks, and he described business so far this year as "very good."

Private banking and the associated proliferation of investment funds have become an important growth impulse for the Luxembourg

Continued on page 8



Can Luxembourg keep its offshore role in a unified Europe?

1992 vs. Competitive Edge

By Madlyn Resener

LUXEMBOURG — As a founding member of the European Community, Luxembourg, with a population of 380,000, has long been among the most enthusiastic supporters of a unified Europe.

But as a banking center, Luxembourg has gone its own route; for the past two decades it has attracted banks with special incentives, such as a low reserve requirement, and lured investors with its lack of a withholding tax on capital gains and its bank secrecy laws, the tightest in Europe.

Now, Luxembourg is facing the question of how to go along with European Community plans to set up a frontierless European market by 1992 and at the same time keep its special role as an offshore banking center within the EC.

The official line in Luxembourg is that 1992 can only bring good things to the country. Now

that obstacles to the free circulation of capital are being abolished and Europeans can place their money wherever they like, say bankers and government officials, more money will flow into Luxembourg because of its sophisticated banking and financial expertise.

There is some truth to this argument, but it isn't the whole story. The stickler for Luxembourg is that EC ministers in Brussels are considering a range of proposals that could make Luxembourg a decidedly less attractive place for investment.

One is for a pan-European effort to crack down on tax fraud either through the imposition of a universal withholding tax or through new pressures on banks to disclose information about their clients. Another is a possible value added tax on gold transactions, which Luxembourg, alone among the EC member states, does not currently have.

Such changes would shake the foundation of banking in Luxembourg. Though bankers and government officials deny that their country is a tax haven, the fact remains that Luxem-

bourg's tight secrecy laws help attract investment. And the country is not likely to give them up without a fight.

Treasury Director Jacques F. Poos said bank secrecy is guaranteed by Luxembourg law and has recently said that the government does not plan to weaken it. "For years there have been attacks on our law and there will continue to be attacks. But we believe that bank secrecy as it is practiced here conforms to concepts of democracy and liberty better than more coercive and bureaucratic systems," he said.

He added that this doesn't mean Luxembourg isn't ready to cooperate more closely with other European authorities in cases of suspected criminal banking activity, but that Luxembourg will never agree to compulsory disclosures on bank accounts.

As for a withholding tax on interest, that, too, is out of the question, Mr. Poos said. He noted that any harmonization of tax rules will

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BANQUE INTERNATIONALE A LUXEMBOURG

Strong growth recorded in 1987

During the 1987 financial year Banque Internationale à Luxembourg once again recorded a sharp increase in its balance sheet and results.

Key figures for the 1987 financial year in millions of francs

The balance-sheet total amounts to Flux 369,887 million as compared to Flux 320,210 million in the previous financial year; this represents an increase of 15.51%. Within this, it is appropriate to draw attention in particular to the growth in customer deposits of 22.38% in this the Bank's 131st financial year.

As regards net profit, after allocations to provisions and depreciation, BIL recorded a rise of 32.29% as against 28.20% in 1986 and, for the first time, broke the barrier of 1,000 million Luxembourg francs.

This sharp rise in net profit was achieved after making substantial allocations to provisions. Among the latter, provisions for risks in respect of countries experiencing balance-of-payments difficulties are now far above the international average.

The dividend per share increases by 13%, from Flux 380 to 430, and applies to a capital which was increased by 14% in 1987.

Our subsidiaries in Singapore and Lausanne as well as our branch in London largely contributed to the bank's expansion.

Through the representative offices in New York, Frankfurt and Tokyo, BIL has been able to strengthen its contacts with the most important financial centres in the world.

	1985	1986	1987
Balance-sheet total	279,300	320,210	369,887
Customer deposits	205,875	235,350	288,010
Deposits of banks	42,825	49,573	43,689
Customer advances	65,658	78,638	82,567
Own resources, provisions and borrowed capital	18,923	23,624	27,050
Gross cash-flow*	4,221	4,582	4,363
Net profit	645	827	1,094
Distributed profit	357	472	607
Net dividend per share	fr. 335	fr. 380	fr. 430

* Net profit plus taxes on profits plus depreciation and provisions less earlier provisions released.

1 £ = 65.95 Flux (May 8th, 1988)

If you would like to have a copy of the Bank's annual report in French, English or German, do not hesitate to contact our head office in Luxembourg or one of our branches.



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BANQUE GENERALE DU LUXEMBOURG

RESULTS THAT SPEAK FOR THEMSELVES

Millions of francs	1985	1986	1987
Balance sheet total	262,805	297,151	339,019
Total customers' deposits	166,112	184,408	219,324
Due to banks	68,205	77,294	81,300
Loans and advances	56,998	60,660	64,356
Own funds and provisions (1)	17,212	19,894	23,106
Cash-flow (gross) (2)	3,881	4,283	4,564
Net profit for the financial year	556	646	751
Dividends	231	265	330

(1) Including loan capital (subordinated loans)
(2) Net profit, taxes and allocations for depreciation and provisions released

Banque Générale du Luxembourg, one of Luxembourg's largest universal banks, continued to expand steadily during the 1987 financial year. It consolidated its strong position in the domestic market while at the same time successfully developing its international activities.

Customers' deposits increased at an even faster rate than in previous years. A growing number of investors sought the advice of the Bank's portfolio management specialists for the investment of their savings.

Numerous collective securities investment undertakings chose Banque Générale to act as domicile, accounting and administrative agent and depositary for their assets.

Banque Générale continued to play a key role in the Luxembourg capital market managing six public bond issues and thirty-two private placings. In the international bond markets it strengthened its position as a member of issuing syndicates and as paying agent and market maker on the Luxembourg Stock Exchange. In this capacity the Bank was called upon to handle 250 new bond issues in 1987.

The Bank remained an active participant in the secondary market in Euro-bonds, especially for a substantial number of issues denominated in ECUs, thereby helping to maintain the liquidity of this sector.

The Bank's securities trading activities showed remarkable growth in the wake of the upheaval in the stock markets. The securities department were able to satisfy customers' requirements at all times during the turmoil of those events.

With a view to 1992, Banque Générale du Luxembourg has accentuated the international character of its network by opening a representative office in Frankfurt. The Hong Kong office gives the Bank access to the rapidly growing markets in the Far East. Banque Générale du Luxembourg (Suisse) celebrated its fifth anniversary with a further year of expansion.

The Bank increases its share capital at regular intervals. In this way it ensures its future growth while at the same time preparing itself for the advent of the large internal market within the EEC.



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Funds Draw Interest Outside EC

By Madlyn Resener

LUXEMBOURG — Last October's crash on world stock markets has not slowed the boom in Luxembourg's investment-fund business; if anything, the pace has quickened.

The number of funds registered in Luxembourg rose from 382 in November to 472 in June, and the pile of applications at the Luxembourg Monetary Institute has grown to 122. About 33 applications, from Japan and EC countries, should be approved soon.

On average, the Institute receives 12 applications a month from promoters hoping to set up shop in the Grand Duchy. And Treasury Director Jacques F. Poes sees investment funds as one of the major growth areas of the next few years.

Compared to funds elsewhere, Luxembourg's funds did not suffer much in the crash, primarily because more than half are invested in bonds. Just how badly they were hit is hard to determine. According to Institute figures, total assets of the funds fell 10 percent in November. Today, fund assets exceed \$34 billion.

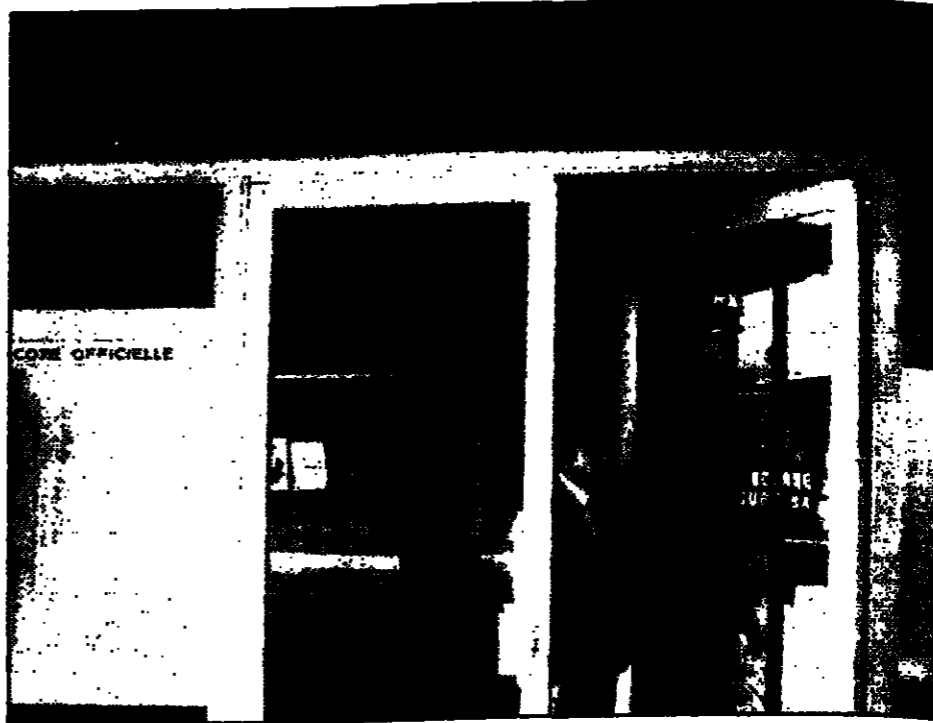
Funds registered in Luxembourg enjoy some key fiscal advantages. They are not subject to income tax and pay only a one-time registration tax of 50,000 Luxembourg francs (\$1,388) plus a yearly charge of 0.06 percent on net assets invested.

There is no turnover tax on security transactions, and funds are permitted to invest in a large variety of assets — from money market instruments in various currencies, financial futures, energy, technical innovation and venture capital, and real estate development. In addition, the funds have a legal status, which means they can be quoted in stock exchanges.

With such incentives, it is not surprising that nearly all the banks in Luxembourg either have funds in place or are planning to establish one this year. The new emphasis on private banking in the financial sector has made banks especially keen to find ways to manage this new bulk of assets effectively and economically, and one way is to group smaller investors into funds.

Poul-Erik Beck-Sorensen, general manager of Den norske Creditbank, said, "Investment funds are an interesting tool, especially for the small investor because he can get higher returns."

But the real reason for the interest in Luxembourg is a forward-looking update this year to the law governing the funds: It not only sets clear guidelines but also states that any fund registered in Luxembourg will be able to market into other markets in the European Community as of fall 1989.



The Luxembourg Stock Exchange

This gives Luxembourg a distinct advantage over non-EC financial centers, such as the Channel Islands, and it makes Luxembourg particularly attractive to banks in non-EC European countries, which hope to use Luxembourg as a springboard into other EC markets. Credit Suisse and other major Swiss banks are running important investment funds out of Luxembourg.

Fastest-growing among the funds are the Sociétés d'Investissement à Capital Variable (Sicavs), limited liability companies with variable share capital and one of three distinct investment vehicles recognized by the 1983 law that established a framework for the operation of funds and provided some tax incentives for them. (The other two groups are the Fonds Communs de Placement, similar to a U.K. unit trust or U.S. mutual fund, and a general category lumping together all companies offering securities or other instruments of collective investment.)

Sicavs are more flexible than other funds because their shares can be bought and sold without shareholder approval. From December 1986 to December 1987, the number of Sicavs registered with the Luxembourg Monetary Institute doubled from 110 to 222.

According to Opal Statistics Ltd., a London-based fund analyst, the best-performing offshore fund over the past year was the Luxembourg-domiciled Japan Opportunities Fund, one of 17 funds grouped under an umbrella called Mercury Selected Trust-Japan Opportunities Fund.

It is dollar-denominated and invested entirely in 22 smaller Japanese capitalization stocks. The fund was up 48.1 percent in June over June 1987, due in part to the spectacular growth of these stocks on the Tokyo exchange. With assets of \$380 million, the fund is registered at the Banque Internationale à Luxembourg but managed from S.G. Warburg's Tokyo office, according to a director of Warburg Asset Management in London.

Luxembourg has remained primarily a place of incorporation for funds that are actually managed by fund directors elsewhere. Mercury Selected Trust, for instance, is run out of S.G. Warburg in London. These funds choose to register in Luxembourg because of its tax advantages, but also because it is one of the few countries that has a legal concept of umbrella funds or Sicavs.

But this use of Luxembourg just for domiciling may be about to change. Luxembourg authorities have drawn up a directive that would require the central administration and control of funds to be in Luxembourg. Fund directors are still negotiating with the Luxembourg Monetary Institute to see exactly how this will work, but many British fund operators, in particular, are worried, since they now use their offshore office in the Channel Islands to administer and manage their funds.

One asset management group, which is probably typical of others, estimates that it would be required to transfer its staff of 20

persons based in Jersey to Luxembourg, if other arrangements, as subcontracting the work, Luxembourg institution, can be worked out.

"Luxembourg may have set itself in the foot on this one," a London-based director.

Banks in Luxembourg, however, are eager to take on more responsibility for managing funds.

Kreditbank S.A. Luxembourg, which keeps the books for dozens of funds, is negotiating with several Spanish banks to organize a Luxembourg-based fund but do not have long experience in fund management. British fund operator Damien Wigney, Knaibank's executive director, said Knaibank hopes to offer its management skills.

"To increase the credibility of Luxembourg as an important center for investment funds, we believe it is important not only to administer but also to manage them, because then we can be a real center, not just a tax haven business," he said.

Such change may come just time since other European centers could soon become as flexible as Luxembourg in order to attract the lucrative funds business.

An unexpected rival could come from Dublin. According to a London fund manager, the Irish Industrial Development Authority is gearing up to attract new business by sending out brochures touting Ireland's climate for fiscal investment and offering special tax breaks on funds.

Tax Policy Survives Early Review

Continued from page 7

financial center. The funds are positioning themselves for the start of an integrated unitary market that will let them operate anywhere in the EC after October 1989, and the number of funds established in the Grand Duchy grew accordingly to 405 at the start of this year from only 269 in 1986. Fund assets now exceed \$34 billion.

The Bank for International Settlements reported that the combined foreign currency assets of the 127 Luxembourg banks increased by \$27 billion to \$155 billion in the year ended last September, maintaining the Grand Duchy's No. 3 position among Europe's international financial centers with a 10 percent share of the European segment of the Euro-market.

The German banks, which account for close to 40 percent of the center's foreign assets, also make Luxembourg the leading Euro-DM center. Worldwide, the U.S. dollar dominates the Euro-market with a share of 75 percent compared with only 8 percent for the Deutsche mark. But Eurodollars make up only 36 percent of the Luxembourg center's foreign assets.

Bankers cite signs of a revival in the Euro-lending business and an upsurge of issuing activity in bonds denominated in Luxembourg francs as other trends that are influencing the center's business.

New volume of Luxembourg franc issuing was up 24 percent last year to the equivalent of 2.7 billion marks. Fluctuations over interest rates and the dollar exchange rate, meantime, led last year to a decline in Eurobond issuing volume that started with a collapse in the market for dollar-denominated floating rate notes and acquired a new accent with the equity market crash last Oct. 19.

The dollar's share of Eurobond issue volume slid to around 40 percent last year and just over 36 percent the first quarter of this year from 63 percent in 1986; while the mark, with an 11 percent share last year and close to 18.6 percent in the first quarter, and the yen, with 16 percent in 1987, grew in importance. Eurobond issuing volume dropped by nearly a quarter to \$141 billion in 1987.

Consortial credit, as the obvious alternative to the discredited FRN's, simultaneously surged to \$89 billion from \$53 billion in 1986 in volume of new loans.

"Some speak of a renaissance of the Euro-credit business," said Mr. Storck, who named a couple of large East-bloc loans and corporate credits in which his bank led the syndication. His bank's credit volume, however, in step with the 19 percent decline in the value of the dollar against the mark, dropped by 15 percent last year to 14.8 billion marks, and assets slipped 2.1 percent to 23.6 billion marks.

Mr. Burghagen, whose bank's assets dipped to 18.8 billion marks from 19 billion marks in 1986 amid stagnating credit volume, said the revival of the Euro-lending business is a trend that will take some time to become visible in the bank balance sheet.

Commerzbank International S.A., however, was able to report a 12 percent increase in its lending business to 9.2 billion marks with assets just slightly higher at 17 billion marks.



The Compagnie Luxembourgeoise de la Dresdner Bank, the first West German bank in the Grand Duchy, has been in Luxembourg for 21 years



Volker Burghagen, managing director of the Dresdner Bank

Operating earnings rose 8 percent as higher dealing profits offset weaker net interest income.

The underworked tax collectors of Luxembourg got a big surprise this year when a few of the big German banks announced they planned to repatriate a dividend for 1987 to their foreign parent institutions. Dresdner paid a 20 percent dividend, or 32 million marks, after reporting operating earnings of 240 million marks.

The Deutsche Bank unit paid its first ever dividend of 37 million marks although 1987

operating earnings had dropped 20.7 percent to 230 million marks. Bank für Gemeinwohl Luxembourg said it remitted an 8 percent dividend.

The new phenomenon of repatriating profits, and thus paying taxes, suggested that banks have now built up comfortable nests against soaring loans. Mr. Burghagen's three straight years, 1985-1987, of excellent profits permitted the Luxembourg bank to offset lending risks with provisions.

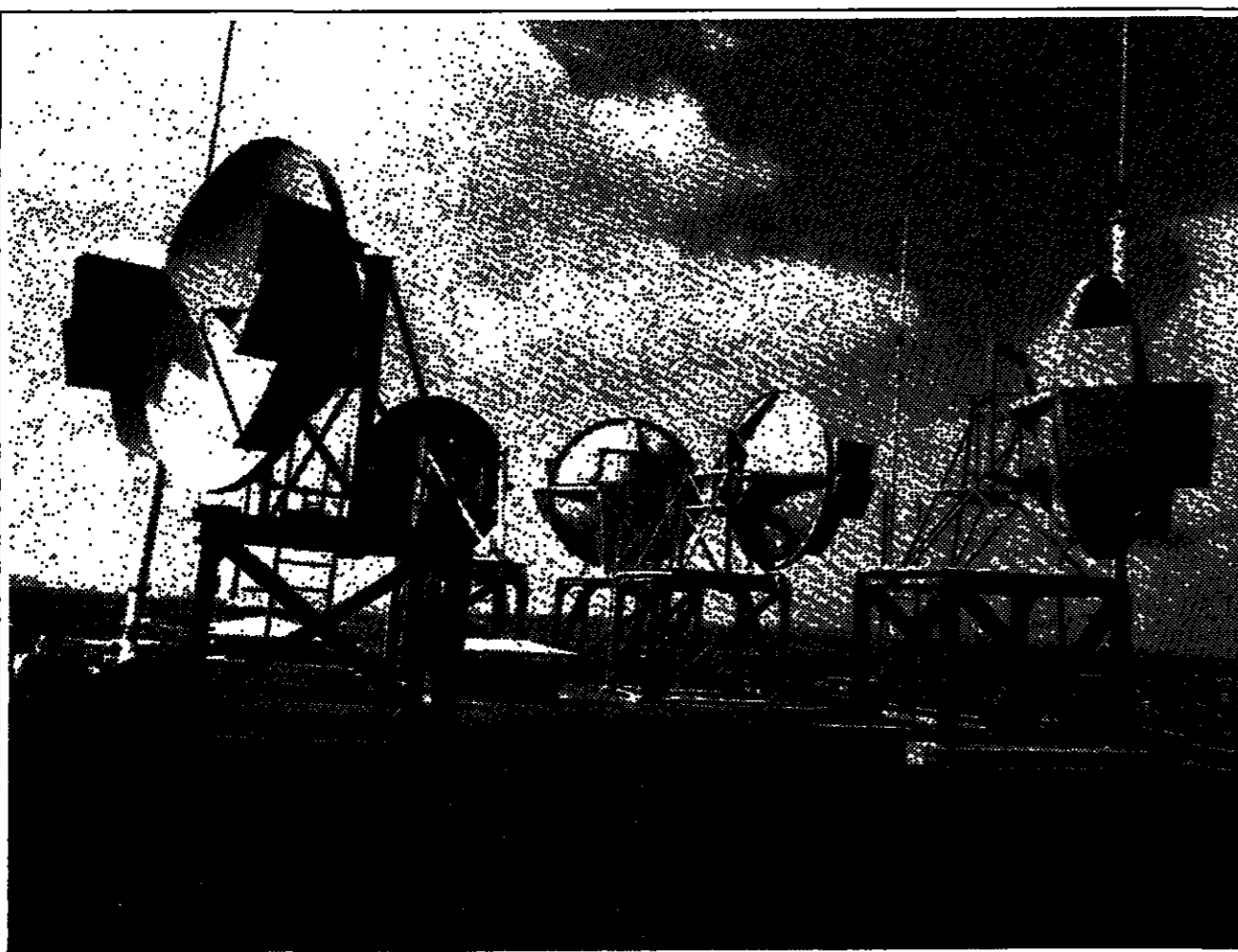
In view of interest rate trends and 71 World debt that has inched up to around 1 trillion, the German bankers expressed pessimism about prospects for solving the solvent debt problem any time soon. But they said their banks' risk provisions, which are cost dated globally, were appropriate, if not so tight.

The banks also complained that European conditions, despite rising credit demand worsened last year with the average rate estimated by the Organization for Economic Cooperation and Development for mild and longer-term Euroloans slipping to 6 percent amid intense competition and low liquidity.

Mr. Storck, whose bank is particularly strong in the international credit business, said the Deutsche Bank unit would continue to strengthen its position this year. "We expect to raise earnings," he added.

Mr. Burghagen said Dresdner, on the first five months, was off to a "very good start" in 1988 and that earnings were now "higher than last year's." He said the bank's performance extraordinarily well in all its businesses, including credit, private bank and trading in currencies and securities.

EDWARD ROBY is the English language editor of Vereinigte Wirtschaftsdienste GmbH, economics news agency based in Frankfurt.



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New Industry

مكذوبات لا حول

Unified EC '92 Poses Challenge

Continued from page 7

A unanimous decision from EC members... changes are certain in Europe after '92, by which time the EC countries have agreed to remove all barriers, such as exchange controls, to further free capital movements within the 12-nation bloc and allow links to operate in any member state on a single license.

Last week EC ministers agreed to allow free circulation of capital throughout the community. Under the directive, to be implemented in eight EC countries beginning in 1990, EC nationals will be able to open bank accounts or borrow money anywhere in the community. The rule will be applied in the four "core" European countries later: in Spain and Ireland in 1992 and in Greece and Portugal in 1993.

While no one is counting on complete tax harmonization in the EC, indirect taxes, such as the value-added tax and taxes on corporate profits, will be adjusted to smooth out differences, while direct taxes, such as those on capital gains and inherited wealth, will probably be left untouched. Other possible changes include a central monetary authority, a single currency and harmonized interest rates.

Paul Schmitke, managing director of the independent Rheinland-Pfalz in Luxembourg, said that 1992 "is a non-event for me."

"Luxembourg is a very special financial place which has never built its business exclusively on tax advantages. We have a natural base of business here, and that has no reason to change," he added.

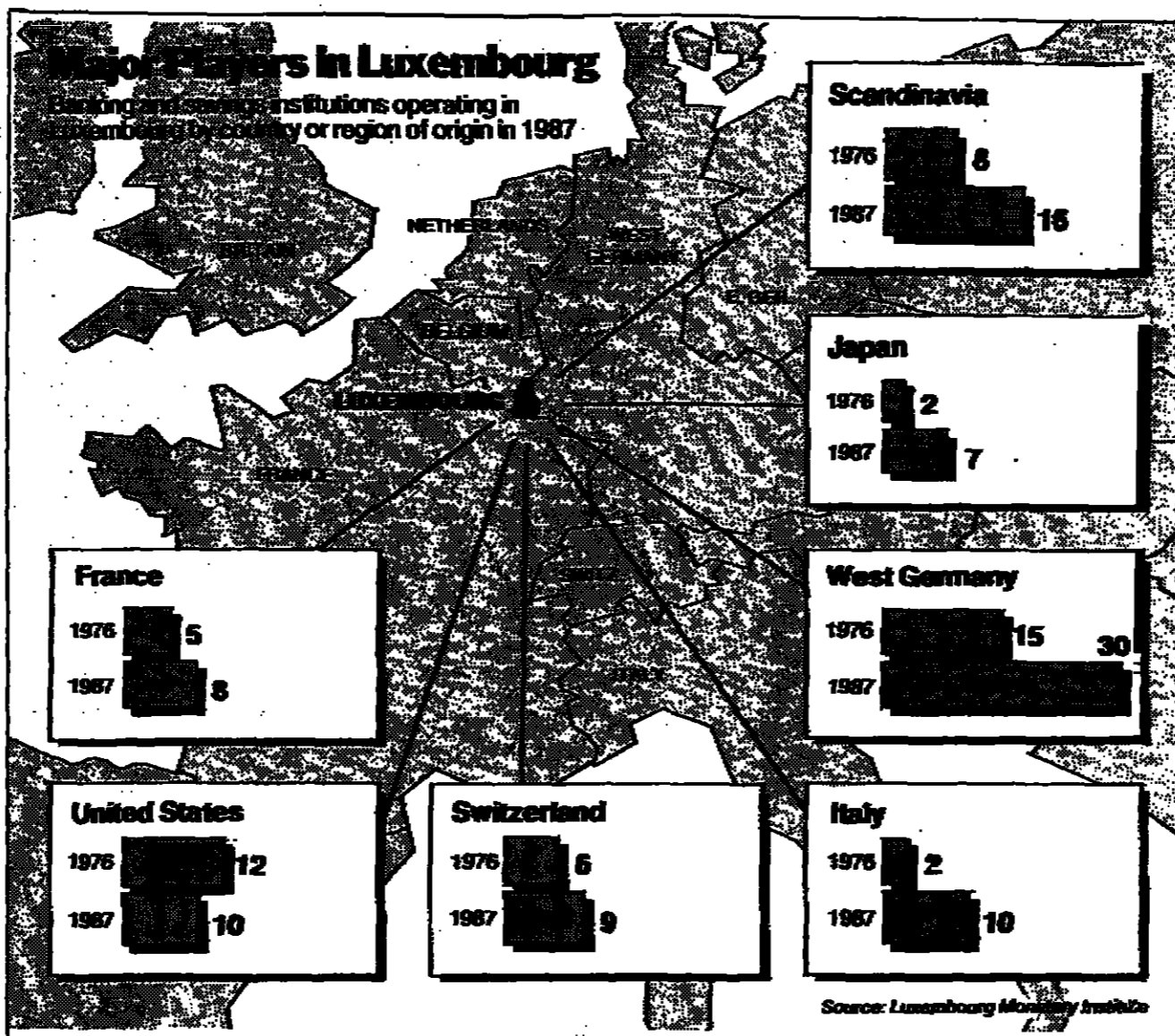
Mr. Schmitke noted that West Germany has recently relaxed some of its banking regulations, such as lowering the minimum reserve requirement, but Luxembourg still offers links more freedom. German law makes trading in currency options highly risky for banks, for example. And West Germany has just introduced a 10 percent withholding tax on interest and capital gains.

Volker Burghagen, managing director of the company Luxembourgpoise de la Dresdnerbank AG, said: "Big, international wholesale business and big private investment banking will continue to go to Eurobanks in Luxembourg, which have the experience and know-how that a commercial bank in upper Bavaria just can't offer."

Luxembourg will retain an advantage over other EC countries because of the absence of a minimum reserve requirement, which, along with a favorable legal environment, attracted German and other international banks to the Grand Duchy in the first place, Mr. Burghagen said.

Pau Phum, managing director of Credit Lyonnais in Luxembourg, said, "One of Luxembourg's strong points is its political and economic stability and the business sense among its civil servants."

"Contacts with authorities here are easy,"



said Jean Krier, a senior executive vice president at the Banque Internationale à Luxembourg and president of the Luxembourg Bankers Association. "You don't have to move through intermediaries. You can get the finance minister directly on the phone."

This consensus that the financial sector is a vital part of the country's development should help the Grand Duchy attract a big share of the expanded European capital market that Mr. Pham and others expect to see in 1992.

Luxembourg's new directive on investment funds is one example of the country's flexibility, bankers say. The directive is the first in Europe to establish a flexible legal framework for funds, and it anticipates 1992 by allowing operators to market into other EC countries.

Damien Wigry, executive director of Kredietbank Luxembourgpoise, said, "The new law shows that we can go fast and adapt ourselves quite quickly when we need to."

Many bankers expect Luxembourg to agree to some kind of tax harmonization, but they believe that tax rates will still vary from one EC country to another, much as they do from one Swiss canton to another. In that case, Luxembourg could impose a VAT on gold transactions, but make it lower than other countries

in order to keep a competitive edge, bankers say.

But others fear pressure from other EC countries will continue to rise.

"They are bound to ask the question, in a unified Europe, why should one country be allowed to have bank secrecy?" said a Scandinavian banker. "They will argue that tax authorities in one country should have access to all other countries in the Community."

According to this banker, Luxembourg government officials, in an effort to play down the issue, have asked banks not to use Luxembourg's bank secrecy laws and its lack of withholding tax in their advertising brochures to private clients.

Bankers agree that the EC needs a financial center like Luxembourg and warn that it would be rash for EC officials to try to change things. "If they do, the money will simply leave the EC and go to Switzerland, the Bahamas, the Cayman Islands or Liechtenstein," noted one banker.

So far, that seems a long way off. The best proof that Luxembourg is likely to remain an important banking center is the increasing interest shown by foreign banks in setting up operations in the country. Attracted by new

Grand Duchy Attracts Reinsurance Captives

By Jacques Neher

LUXEMBOURG — Efforts begun four years ago to establish Luxembourg as a center for captive insurance companies in Europe appear to be paying off.

Though the new industry employs relatively few people, it promises to provide a rich source of tax receipts for the government by the mid-1990s.

The business began developing after a law was enacted in 1984 that established the possibility for industrial companies to create captive reinsurance companies in Luxembourg.

In such a way, the companies could partly self-insure, indirectly paying much of their premiums for business risks, such as fire and business interruption, to their own captive insurance subsidiary, instead of to an outside insurer.

There are now 67 reinsurance captives registered in Luxembourg, almost double the 34 such companies at the end of 1986, according to Victor Rod, the Grand Duchy's insurance commissioner.

The companies put up a combined 4 billion Luxembourg francs (\$112 million) in paid-up capital, and they have already contributed 12 billion francs to 15 billion francs more to their captives in premiums, he estimated.

Mr. Rod said five applications to establish captives are under consideration, and he predicted another 10 to 15 applications would be submitted this year.

"We're first targeting Western Europe," Mr. Rod said, estimating that there are about 200 companies large enough to benefit by creating a captive. A company paying insurance premiums of more than \$2 million, he said, would be of sufficient size.

Ultimately, he said, "there is no reason why American and Japanese companies should not also be interested."

Many American companies have similar operations in Bermuda, which has about 1,500 captives.

This month, representatives from 300 European companies attended a seminar on captives sponsored by the government as part of its marketing program to boost the sector.

The main selling points, Mr. Rod said, include Luxembourg's central location in the European Community; the country's social and political stability; a strong banking community that can provide support services, multilingual facilities, absence of exchange controls and the possibility of using currencies other than the Luxembourg franc.

"Our main concern is to attract a high-standard client," he said. "We're not seeking quantity."

He noted that Luxembourg law requires a reinsurance captive to put up a minimum paid-up capital of 50 million francs — about 10 times the minimum for a captive in Bermuda. In addition, the company must have a Luxembourg-domiciled risk manager.

"We wanted to avoid the establishment of mailbox companies," Mr. Rod said.

In reality, the captives operating in Luxembourg don't manage their own risks, but subcontract the business to a third-party risk management company.

There are now 10 such management companies operating. The first to set up business in 1984, was Stockholm-based Sinsler, whose major client was Electrolux of Sweden. Since then, Sinsler has become a reinsurance risk manager for 25 other companies, most of them Swedish.

The industry promises to provide a rich source of tax receipts by the mid-1990s.

according to Ralph Tellov, the managing director.

Mr. Tellov said that the government's goal of 200 captive reinsurance companies in Luxembourg is attainable.

"Four years ago, we never thought we would have more than 60 companies here four years later," he said.

Mr. Rod said that the captive industry in Luxembourg employs fewer than 100 people, but he projects huge benefits in the 1990s to the country's treasury.

Under the insurance legislation, captives are permitted to put premium income, and earnings on that income, in a special tax-free reserve to cover future losses. Taxes kick in only after the fund grows to at least 12.5 times the average annual premium income. For some risks, the fund could remain tax-free until it reaches 20 times the annual premium income.

In operation, an industrial company seeking to establish a captive reinsurance company must get its primary insurer to agree to hand off a portion of the risk — and the premiums associated with that risk — to the captive. The captive's manager then usually assigns a portion of that remaining risk to yet other reinsurance companies, while working with the industrial company's treasurer to invest the premiums retained.

While working to bring in more captives, Mr. Rod said he is "exploring other niches" — such as pension funds — that Luxembourg could exploit in the future. There are currently no pension funds domiciled in Luxembourg.

JACQUES NEHER, a journalist based in Paris, is a regular contributor to the International Herald Tribune.

Early Review

CONSOLIDATED ACCOUNTS

INTERNATIONAL BANKERS INCORPORATED S.A. AND SUBSIDIARIES

FINANCIAL HIGHLIGHTS 1987

Consolidated Balance Sheet (in million US\$)	1987	1986
Deposits with banks	195.8	182.7
Loans and Advances	1,176.9	540.3
Securities Portfolio	39.8	34.0
Total Assets	1,539.6	822.2
Bank Deposits	690.7	308.7
Customer Deposits	581.8	355.9
Capital Resources (including Minority Interest)	177.5	123.9
Of which:		
Share Capital and Subordinated Debt	129.5	100.0

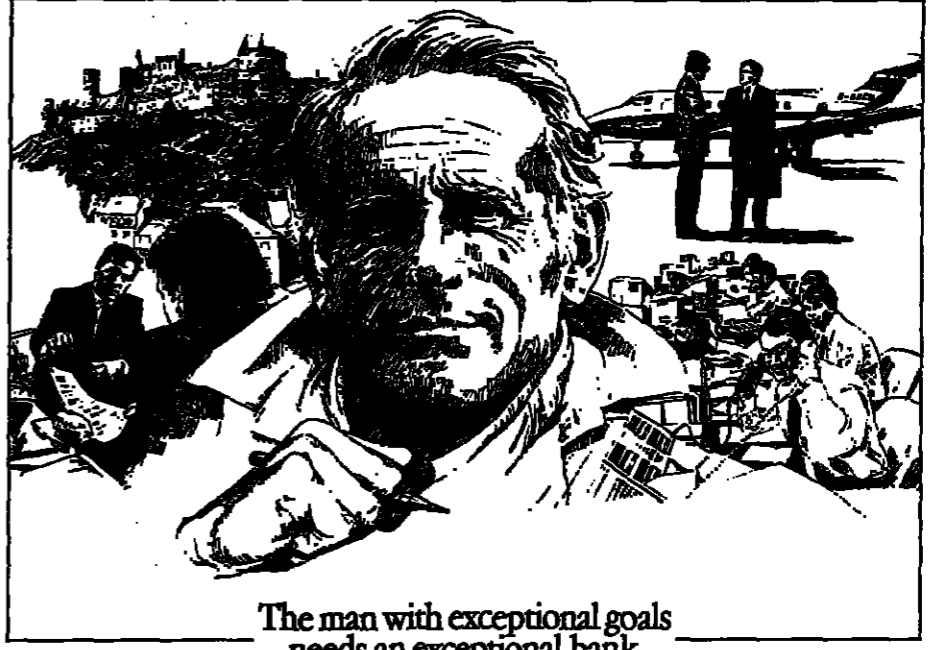
The figures of International Bankers France are included for the first time within the consolidated accounts of International Bankers Incorporated S.A.

The consolidated after tax profit for 1987 amounted to \$ 6.9 M.

Copies of complete consolidated financial statements and annual report can be obtained on application to the operations manager in Luxembourg.



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Private Banks: Where Less Is Worth More

By Madlyn Resener

LUXEMBOURG — With its graceful bay window, polished mahogany banisters, and bright flowers out front, the TSB Private Bank International of Luxembourg retains the genteel atmosphere of a fine bourgeois *maison de maître* in one of the city's verdant residential areas.

It is a fitting location for greeting the wealthy private clients that come to TSB for sophisticated portfolio management. Benny Larsen, the bank's managing director, likes to welcome his clients personally, before sitting down to business in the front parlor or over lunch in Luxembourg's posh Clairefontaine restaurant.

At the Clairefontaine, Mr. Larsen is likely to find himself surrounded by other bankers entertaining their clients. Private banking is the latest boom in Luxembourg, and TSB the most recent arrival — as well as the first British bank to open up shop in the Grand Duchy.

The TSB Group of Britain decided on Luxembourg after an outside market study showed the country to have several advantages over Switzerland: bank costs are lower, there is no withholding tax on interest and capital gains and no value-added tax on gold transactions. Luxembourg's bank secrecy laws are as strict as — and in instances even stricter than — Switzerland's and the country is a member of the European Community.

"We saw that all the Swiss banks were coming here, so Luxembourg seemed to be the place to be," Mr. Larsen said.

TSB and other Luxembourg banks are targeting Europe's middle-level wealthy customers for whom Switzerland has grown too expensive and too impersonal. In addition to lower fees, the Luxembourg banks are offering highly sophisticated investment advice and personalized service.

Clients are pampered "in ways that range from the sublime to the ridiculous," Mr. Larsen said. At TSB, he will help his clients find the best schools for their children or arrange for tickets to sold-out shows in London or West End.

Ole Roed, managing director of Bergen Bank International S.A., will book hotels and organize sightseeing.

Such service just is not available on Zurich's Bahnhofstrasse to investors with a mere million or two million dollars — and even the super-rich complain of indifferent treatment by their Swiss bankers.

One of Dresdner Bank's private clients is an elderly Dutch man who noticed that his contacts with his Swiss banker had dwindled over the years. The last straw came when, during a visit to Zurich, he called for an appointment and was told to show up at 10:55 A.M. He found this curious, but upon arriving, he discovered 15 other customers sitting on hard chairs in a room that resembled a dentist's waiting hall.

At precisely 10:55, a door was opened and he was ushered into his adviser's office. But he had scarcely begun to spread out his investment papers when his adviser began looking at

Switzerland has grown too expensive and too impersonal for middle-level wealthy customers.

his watch. At 11:09, the banker abruptly stood up, shook hands, and firmly led him out.

Such stories are common in Luxembourg banking circles.

"From a half a million to five million dollars, you are probably better served in Luxembourg," Mr. Larsen said.

Walker Burghagen, managing director of the Compagnie Luxembourgeoise de la Dresdner Bank AG, said of his customers, "They want to chat. They don't care whether they end up with 9 percent or 10 percent, they just want to be treated like a client, not a number."

Many of Luxembourg's private clients are retirees or expatriates. Bankers say higher salaries, the stock market boom of recent years, and inflated real estate prices have combined to create a new tier of wealthy individuals below the super-rich level.

"There is a lot of real money in circulation. The liquidity is enormous," Mr. Larsen said.

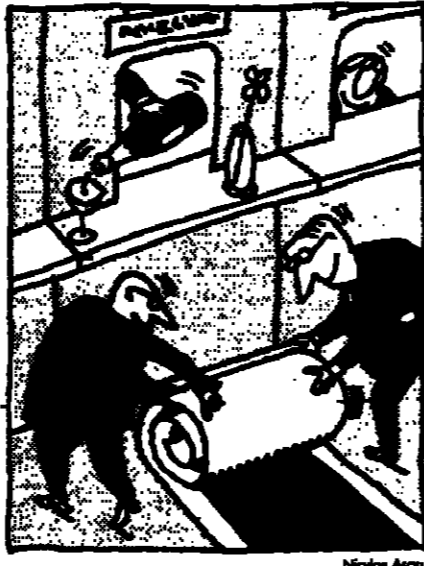
More savvy than investors in the past, the new rich are looking for creative investment strategies and favorable tax treatment. And concerns over the recent willingness of Swiss authorities to turn over banking information has led them to look for alternatives to Switzerland.

To reach these potential investors, bank officials regularly take their show on the road. Bergen Bank, like other Scandinavian banks, has a full-time agent making the rounds in southern Spain, home to many retired wealthy Norwegians. On his first trip two years ago, Mr. Roed picked up 12 customers; today the bank has 400, representing close to \$100 million in investments.

The banks compete on the basis of service, but Luxembourg banks also pride themselves on their ability to make shrewd, sophisticated investments, thanks in part to Luxembourg's relatively open banking regulations.

"You name it, we do it," Mr. Larsen said. "Our customers can hold financial instruments in any currency — Deutsche mark, Danish krones, or Japanese yen — all of it priced to market and converted to a reference currency."

Bergen Bank will make deposits in all major currencies, buy and sell equities and bonds, and even deal in precious metals, old coins and stamps.



What these bankers will not do is to touch any money that appears to have criminal connections. "If I get the feeling I'm blowing white dust off money, I'll say no," said one banker. Like other bankers, he checks out identification and insists on keeping the deposit for a minimum of 30 days.

Because banks do a good job of policing themselves, "black money is not a huge problem here. Most of it goes to brass plates offshore," he said.

Private banking services have long been offered by smaller private Luxembourg banks, but with the decline in Euro-lending, most of the big Euro-banks have also set up asset management services.

"The big German banks that specialized in wholesale banking and Eurocredits, syndicated loans and bond trading, are moving into private banking because it is a fee-generating business," said Jean Krier, senior executive vice president of the Banque Internationale à Luxembourg, and head of the Luxembourg Bankers Association.

Paul Schminke, managing director of the Landesbank Rheinland-Pfalz, said, "We had to look for other opportunities."

While bankers say they don't sell Luxembourg on the basis of bank secrecy, it is clear that this remains a strong drawing point. At least one bank, Norway's Den norske Credit Bank, is considering moving its private banking operation to Switzerland or Austria should Luxembourg give up its secrecy laws under pressure from other EC countries.

"We are following this very closely," said Poul-Erik Beck-Sorensen, the bank's general manager.

Private banking has translated into higher commissions for banks, which are reflected in the 13 percent growth of total bank assets in March over the previous year, to 8.95 trillion Luxembourg francs (\$2.6 billion). Deposits from non-banks have risen dramatically over the past year, as much as 20 percent at some banks. Just four years after Den norske Credit Bank set up an asset-management division, private banking now accounts for one-fourth of its gross income.

So far, bankers say, the market is large enough for everyone.

But "it's very competitive today and will become more competitive, because nearly all banks are going into it," Mr. Beck-Sorensen said.

Nordic Banks Fine-Tune Policy

By Michael Metcalfe

COPENHAGEN — Having established a solid base for servicing the financial needs of their clients in the private banking sphere, the 16 Nordic banks represented in Luxembourg are embarking on a new phase in their drive to win over the wealthy: the provision of improved and more specialized back-up services.

Over the past five years, each of the banks from Denmark, Finland, Norway and Sweden has proved adept in creating a special place for itself in the increasingly competitive private banking sector, adapting and fine-tuning their corporate strategies to meet a more specialized, and more discerning, demand for clients.

Moreover, each of the banks has pursued its strategy in terms of building up its private customer base, offering its own brand of services and developing its own product mix. As the degree of private banking emphasis varies from bank to bank, so does the proportion of profits stemming from the range of banking services offered.

At Banque Norddeurope S.A. (BNE), its recently established private banking department forms a small but rapidly expanding proportion of the total balance sheet.

"My goal is for this proportion to increase to between 40 and 50 percent of the balance sheet within the next two to three years," said Helmer Moller, head of BNE's private banking division.

During the last financial year 1987-88, deposits from private banking clients jumped by 82 percent, to 3.23 billion Luxembourg francs (\$90 million), while loans to private customers collateralized by securities, precious metals and the provision of investment advice were also increasingly in demand.

Because Banque Norddeurope is jointly owned by Sweden's SwedBank and Finland's Skopbank — central banks acting for their respective countries' savings banks — it can draw on a wide range of private customers from both those countries. Banque Norddeurope's clients, which now number about 400 in the private banking sector, are also to be found in Britain, West Germany, the Benelux countries, Spain and France.

The services offered by Banque Norddeurope include discretionary and advisory portfolio management, loans using all types of securities and cash management.

"Of course all the banks involved in the private banking sector offer broadly the same kind of services, but the distinction lies in the way you sell and then handle these services after having sold them, because it's not too difficult to attract clients; it's harder to keep the clients," Mr. Moller said.

He added that the medium to small customer finds a Luxembourg private account more attractive than a Swiss one because Swiss banks require too large a minimum deposit and Swiss private banking fees are higher.

"Our main goal is to offer high-quality advice and services in the traditional fields of private banking," Mr. Moller said.

Widening the range of investment instruments available to the private customer, as well as improving the quality of existing services, are also key objectives for the Nordic banks.

"We are currently in the phase of trying to



Luxembourg with its multitude of banks and insurance companies is Europe's No. 3 international financial center.

improve the quality of our private banking services, and also the range of services, adding on other products, including investment funds, the latter being very much tied in with the development of Luxembourg as a center for unit trusts," said Ole Roed, managing director of Bergen Bank International S.A., one of the Norwegian banks represented in the Grand Duchy.

Bergen Bank International, which has seen its personal customer funds jump from \$75 million last year to current levels of around \$100 million, is also marketing in other parts of Europe in a bid to attract a wider geographical spread of clientele, particularly in view of the creation of a single internal European market and the free flow of capital scheduled for 1992.

As private banking has assumed a far greater significance in Luxembourg over the past several years, so competition for the market has intensified, also among the Nordic banks.

"There is no question that competition in the private banking sector is sharpening and we welcome it; it also increases the emphasis on private investment banking in Luxembourg, which is of help to everybody involved in this sector," said Jesper Klinting, head of investment banking at Privatbanken International (Denmark) S.A.

The Danish bank is emphasizing the service aspect of private banking. Mr. Klinting said, by offering "a personalized service covering the broad spectrum of private banking services, including currency deposits, Euro-market instruments of all varieties, investment advisory services, portfolio management and fiduciary services."

The need to provide improved back-up services and sophisticated technical support systems for the more discerning private banking customer prompted Privatbanken to increase its Luxembourg staff from 60 to about 110 last year and to move to larger premises in October.

But the private banking divisions of Nordic subsidiaries in Luxembourg do not cater only

to the financial needs of the high net worth individual, expatriate or tax exile. Many of them are booking the advantages gained by the provision of legal and tax advisory services.

"It is an often overlooked fact in the public private banking that legal and tax aspects play a vital role in the considerations and strategy of wealthy Scandinavians driven from home countries by crushing tax burdens," said one senior Nordic banker in Luxembourg.

The area of private banking, including provision of legal and tax advisory services, proved lucrative because, whereas bank devaluation and financial market liberalization have removed many barriers to Scandinavian corporate banking, relatively severe foreign exchange controls restricting the flow of capital by individuals of the Nordic countries remain in place.

However, the customer base of many of the Nordic banks' Luxembourg subsidiaries is still predominantly expatriate Scandinavians living in other parts of Europe, is widely dispersed and includes other wealthy individuals.

Branching out into new areas of private banking activities has also encompassed fast-growing investment fund sectors. Several of the Nordic banks based in Luxembourg have added this to their banking services.

For the Swedish banks, including Skandinaviska Enskilda Banken, Svenska Handelsbanken and FKBanken, maintaining subsidiaries in Luxembourg has in the past meant primarily meeting the financing requirements of Swedish companies and their network of subsidiaries abroad. But here, too, the provision of personalized banking services catering to wealthy individuals is playing an increasingly important role.

MICHAEL METCALFE, a journalist based in Copenhagen, is a correspondent for *Business International*.

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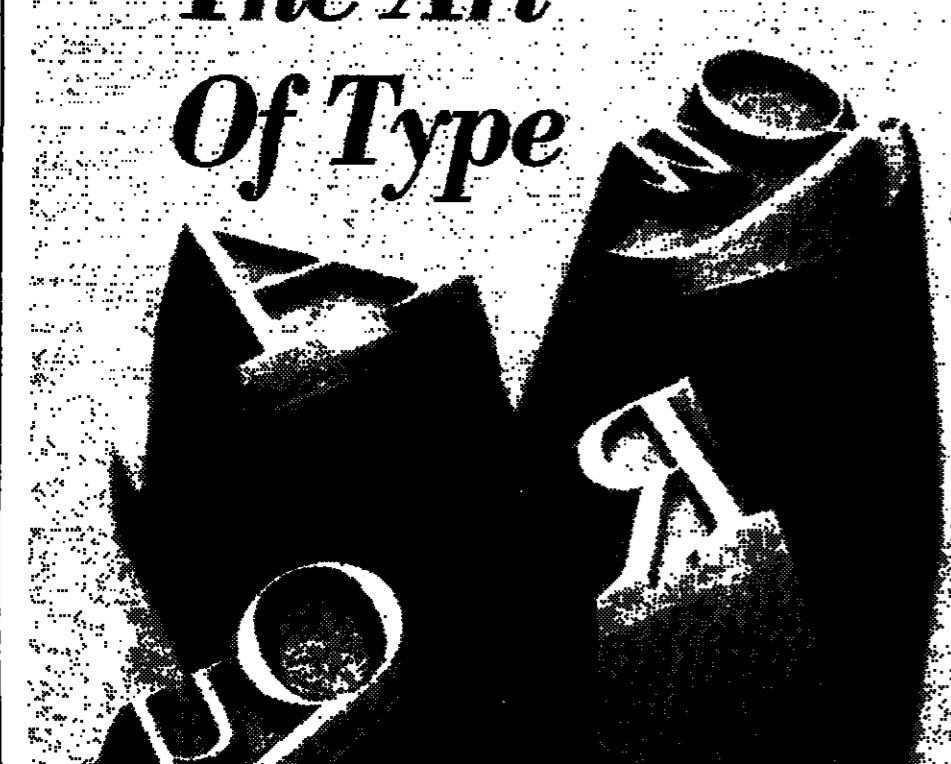
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ARTS / LEISURE

The Art Of Type



Hand-cut typeset characters carved at France's national printing office, formally established in 1640.

By Barry James

International Herald Tribune

PARIS — France's national printing office, L'Imprimerie Nationale, churns out millions of tax forms, telephone directories, passports, driver's licenses, hunting permits, identity cards, treasury bonds, examination papers and the other appurtenances of a modern state; but behind its stern officialdom and industrial bustle it has a soul.

For in an age of electronic typesetting, photo composition and satellite page transmission, it persists with the anachronistic and noble art of creating books with movable type, printing them on ancient presses and binding them by hand — exactly the way it has done ever since 1640, when Cardinal Richelieu founded the Imprimerie at the Louvre palace in order to "multiply the number of beautiful publications useful for the glory of the king, the progress of religion and the advancement of literature."

Pages are assembled with individual lead characters that have to be hand set, one by one, at the rate of about 1,300 characters an hour, in a frame known as a chase. From this, a direct impression is made in a printing press. Nearly all modern books are produced by photographic processes that eliminate most of the traditional printing steps.

Making books by hand also entails hand carving of the punches from which the type is produced — a lost art almost everywhere else now that computers can design and copy typesets cheaply and fast. But ac-

counting to Christian Paput, Jacques Camus and Nelly Gable, who believe they are the last of the world's full-time type engravers, books set with computer-designed characters lack individuality.

The slight irregularities of hand-cut typesets, Paput said, give a page a variety that makes reading easier on the eye. They are sharper, too, he said, making it possible for a person with normal eyesight to read even very small type without a magnifying glass.

But these advantages alone are not reason enough to keep alive the fine books workshop in the midst of an organization that earns more than 99 percent of its income from its industrial production.

"We do it because it's a way of keeping our cultural heritage," said Michèle Kespi, a spokeswoman for the printing office.

The printing office has a unique collection of 92,000 steel type punches — unique in that the collection is still in regular use to produce type both for a wide range of Latin faces (such as the one in which this article is printed) and for virtually all of the world's written languages that do not use Latin characters. Throughout the turmoil of the French Revolution and again during the German occupation in World War II, workers risked their lives to guard the collection, which has been declared a national monument.

The punches are used to produce molds into which lead is poured to create type characters. If a punch is broken it means that the entire set or font to which it

belongs cannot be used unless a replacement is made for the missing letter. In order to keep the collection alive, the three punch engravers spend most of their time cutting replacement characters from blocks of steel, a process that can take several weeks for each letter.

As a mark of its determination to preserve the typographic arts, the government two years ago also set up a small design workshop to continue a tradition going back to the earliest years of printing in France.

Some of the world's most familiar typefaces have originated in the printing office. — Garamont, Grandjean, Luce, Didot, Marcellin-Legrand, Jaugeon and Gauthier. Grandjean, also known as *Romain du Roi*, was designed on the orders of King Louis XIV, and represented monumental elegance in book design. Luce was developed in the 18th century, originally by the case Alexander verse, consisting of 12 syllables on a line, required a more compressed type. Didot, developed on the orders of Napoleon and based on the newly introduced metric system, is still the severe typeface seen on official proclamations. Gauthier was designed in the 1950s primarily for use in modern art books. The designer, Louis Gauthier, passed his skills to Camus, who continues a tradition unchanged over the centuries.

Although Richelieu formally established the printing office, its origin can be traced back to the appointment of a royal printer in 1539 by King François I, who was anxious to encourage Hellenistic studies in

France. The Imprimerie, which now occupies a large complex of buildings in Paris and another modern plant at Douai, still has the punches for the original Greek typesets designed by Garamont, known as the *Greco du Roi*.

The workshop also has a collection of all the books produced by the printing office from the first, a folio edition called "De l'imitatione Christi," to a beautifully illustrated set of Buffon's 18th-century "Histoire Naturelle" to modern versions of the classics illustrated by 20th-century artists.

The books are printed in a shop that could be considered a working museum. Flatbed presses built 80 years ago by Miehle in Chicago are still in use. "You have to be sporting to operate this machine," said Edouard Trosselle, a workshop supervisor, as a printer fed sheets one by one by hand into a century-old relic nearby, deftly managing to keep his fingers out of harm's way.

At one end of the room, a small wooden hand press, of a design dating back to the Renaissance, is used to reproduce copperplate engravings. Even the most modern machines in the plant are no longer manufactured, and have to be nursed along with spare parts made on the site.

The persistence in sticking to the old ways in the midst of the modern printing plant helps to conserve the Imprimerie's distinctive and historical character, Kespi said. "In a real sense, we consider that keeping the typographic arts alive is our patriotic duty."

Fashion Strikes Ancient Mediterranean Sculpture

FASHION is hitting head on in an unlikely area: antiquities from the ancient Mediterranean world. The hunt is on for sculpture from pharaonic Egypt, Greece and Rome, big and small, as verified throughout a \$2 million sale at Sotheby's in New York last week.

The most remarkable development is the Classical revival that came out strongly in the auction on June 15. It was inevitable in view of some of the broader trends that have been making themselves felt in the art

better in Sotheby's photograph, but the front is distressingly damaged — "in antiquity," Sotheby's expert shrewdly notes, giving damage the aura of great age.

The latest news is that small sculpture can do just as well. A Greek marble torso only 31.4 centimeters, which sold for \$23,100, could be called the success of the sale in its modest way. Missing its head and left arm, the late fourth or third century B.C. carving was also chopped off below the knee by hurried diggers. The crust adhering to the white marble suggests Greek sites on the shores of what is now Turkey. The draped fragment has all the elegance of the early Alexandrine period, moving away from Classical conventions to get closer to real life, but its condition would deter most traditional collectors.

Yet, despite the new vogue and the corresponding price rise, the greatest in Hellenistic statuary can still be inexpensive compared with the other periods of Western sculpture. The masterpiece last week was probably a 28-centimeter marble head, noncommittally catalogued as "Apollo or the young Alexander." This is undoubtedly the portrait of a man in the prime of youth. The face is handled in a style attempting to recapture the spirit of fifth-century B.C. Classicism that spread in the Greek cities around the second century and lasted 100 years or so. At its best, as here, it carried

portraiture to very high level. Tight-lipped determination, faintly toned down by a suggested smile of self-confidence, is conveyed with supreme skill. The price, \$68,750, seems light by comparison with any work of comparable caliber from the 16th century on.

For rarity, the prize went to another portrait of a young man also harking back to Classical times. Here, however, the choice of Luccacella, a type of black marble with white curlicues in the grain, transforms the otherwise restrained portrait into a Baroque fantasy. Professionals could not remember seeing another such piece at auction, and that accounts for its soaring to \$74,250, almost four times the high estimate.

Rarity, however, does not in itself ensure success, not even coupled with quality. One marvelous statue in the sale showed that old art market preconceptions can still prevail. This is the figure of a lady of the mid-second century, slightly larger than life-size. Kersey says that the prototype is the Athens some 700 years earlier. Whatever the case, the handling of the drapery is supremely good. The carving is said by professionals to originate from the eastern Mediterranean, for which read almost certainly what is now Turkey.

There was only one hitch: Those who

follow the market remembered seeing it in the same auction house in February 1965. It then sold for \$79,750, reportedly as an investment. This time it went for \$121,000, barely more than the low estimate. Measured in harder currencies, this amounts to a loss.

Yet, money was flowing freely last week. When rarity was not handicapped by considerations unrelated to art, the sky was the limit. Five Egyptian works of the 11th dynasty (2134 to 1991 B.C.) are available these days, particularly polychrome low reliefs of conventional picture size that look like a wall. A limestone funerary stele — an Egyptian woman seated sideways raises a lotus blossom to her face — fitted that description. Despite nasty breaks and chips in the middle it doubled Sotheby's estimate, ending up at \$49,500, a huge price.

The big sensation later in the sale was a gold cup of rounded form with a high pouring lip curving very slightly at the tip. Kersey, quoting two scholars, calls it "Early Hellenic II, circa 2700-2500 B.C." The only comparable object, a gold cup acquired by the Louvre in 1887, was said at the time to have surfaced in the Peloponnese. One of the scholars says it is "highly probable" that Sotheby's cup is the one "known to have been in the Berlin market

in 1929, also said to have been found on the Peloponnese." Given the fear that reputedly excavated gold objects put into the minds of collectors, the 16.5-centimeter cup sold wonderfully at \$341,000.

The irony is that at the end of the sale a whole row of gold and silver fakes from Iran were being sold for what they are, 20th-century productions in Achaemenid, Sassanian or even early Islamic style. A gold vessel with its extremely designed in the shape of the head of a mountain goat tried to suggest the style of seventh-sixth century B.C. Iran. It was given a prominent place in Paris in the 1961-62 Petit Palais exhibition "7,000 Years of Iranian Art." Duly illustrated in the relevant catalogue section compiled by a famous archaeologist, it was later featured in other learned publications. As were several pieces of the same ilk. Last week it was sold for \$4,180 — on the basis of its gold weight, Kersey said. There were 12 more lots in that vein. Others are still knocking around the market while some are ensconced in museum showcases around the world, retaining the labels of three decades ago when they were peddled at phenomenal prices. Collectors of the old school say they love the idea of these expensive baubles making faces from their museum cases at investors who buy on the strength of labels, not of what their eye might tell them.

DOONESBURY



SOUREN MELIKIAN

market in recent years. One is the surge of interest across the board in three-dimensional art. The second is the massive swing back to figurative art in general and its more academic aspects in particular. It would have been a paradox if Greek and Roman art, the ultimate sources, had been left in the cold.

The new trend explains how such prices can be paid as the \$71,150 it took to get a marble torso, headless, armless and badly mauled in the front. Richard Kersey, Sotheby's expert, describes the 82.6-centimeter (32.5-inch) figure as a first-century B.C. copy of a famous model by Polykleitos, of the fifth century B.C. Beautifully carved when seen from the back, it looks even

Table: NYSE Most Actives. Columns: Vol., High, Low, Last, Chg. Rows: Tencor, IBM, Sunco, etc.

Table: Market Sales. Columns: NYSE 4 p.m. volume, AMEX prev. close, etc. Rows: NYSE 4 p.m. volume, AMEX prev. close, etc.

Table: NYSE Index. Columns: High, Low, Close, Chg. Rows: Composite, Industrials, etc.

Tuesday's NYSE Closing. Via The Associated Press.

Table: AMEX Diary. Columns: Close, Prev. Rows: Advanced, Declined, etc.

Table: NASDAQ Index. Columns: Close, Prev., Week, Year. Rows: Composite, Industrials, etc.

Table: AMEX Most Actives. Columns: Vol., High, Low, Last, Chg. Rows: Dome, Wang, etc.

Table: Dow Jones Bond Averages. Columns: Bonds, Utilities, Industrials. Rows: Bonds, Utilities, Industrials.

Table: NYSE Diary. Columns: Close, Prev. Rows: Advanced, Declined, etc.

Table: Odd-Lot Trading in N.Y. Columns: Buy, Sales, %Chg. Rows: June 20, June 17, etc.

Table: Dow Jones Averages. Columns: Close, High, Low, Last, Chg. Rows: Industrials, Trans, etc.

Table: Standard & Poor's Index. Columns: High, Low, Close, Chg. Rows: Industrials, Trans, etc.

Table: Previous NASDAQ Diary. Columns: Close, Prev. Rows: Advanced, Declined, etc.

Table: AMEX Stock Index. Columns: High, Low, Close, Chg. Rows: 264.9, 264.9, etc.

Table: NYSE Stock Market Data. Columns: 12 Month High, Low, Stock, Div., Yld., PE, etc. Rows: AAR, ACN, etc.

NYSE Rebounds After Sell-Off

United Press International NEW YORK — Prices on the New York Stock Exchange recovered from a midday sell-off Tuesday and rallied to end sharply higher in moderate trading. Favorable economic data and strong buying interest late in the session underpinned the advance.

The Dow Jones industrial average, which had fallen 20.09 on Monday, rose 25.24 on Tuesday to close at 2,109.17.

Advances led declines by about a 9-5 ratio. Volume was 155.1 million shares, compared with 116.7 million Monday.

Before the market opened, the Labor Department said consumer prices rose only 0.3 percent in May, slightly below market expectations.

The market reaction to the inflation data was immediate as the Dow jumped more than 12 points in the early going. The index held most of the advance until shortly after midday when it suddenly turned lower. It fell about 7 points below the previous close before an equally abrupt turnaround.

"In order to sort such a day out, you have to look at the overall market in recent weeks," said Larry Wachtel, a market analyst with Prudential-Bache Securities Inc. "It has been overbought since last Tuesday, and Monday we went through a period of consolidation."

Mr. Wachtel said the market simply resumed "the trend since the beginning of June," and was assisted late in the day by money managers and institutions who entered the market as the quarter draws to a close.

He blamed a pullback in bonds for the midday retreat in stocks and gave only partial credit

Table: NYSE Stock Market Data (continued). Columns: 12 Month High, Low, Stock, Div., Yld., PE, etc. Rows: BOK, BOLL, etc.

Table: NYSE Stock Market Data (continued). Columns: 12 Month High, Low, Stock, Div., Yld., PE, etc. Rows: C, D, E, etc.

Table: NYSE Stock Market Data (continued). Columns: 12 Month High, Low, Stock, Div., Yld., PE, etc. Rows: F, G, H, etc.

JAPANESE

(Continued on next left-hand page)

WEDNESDAY, JUNE 22, 1988

Page 13

MADISON AVENUE

BBDO Commercials Win Chief Spots in 2 Contests

NEW YORK—Television commercials by BBDO took the chief honors at two separate competitions this week, winning six awards at the Clio ceremony in New York and first prize at the American Advertising Federation's 20th annual Addy Awards contest, held this year in Los Angeles.

BBDO, which also won Clio for a corporate ad for Du Pont and a retail services ad for PIP Printing, won more television spots on Monday's ceremony than any other agency in the U.S. television advertising segment of the Clio competition.

Chiat-Day Advertising won five television Clios, including two for ads for Arrow shirts and the regional telephone company, Next. The fifth was an ad for Oster Farms Chicken.

The television Clio for the national advertising campaign went to the New York agency Cliff Freeman & Partners for a series of ads for Lipton Light Bulbs that show a man going wrong when a light bulb burns out.

One of the ads showed a stoupled woman wondering where the magic had gone in her marriage as her husband slurped his soup at the dinner table. The light went out, a snore, then a splash and finally a gurgling sound as she apparently dozed off into his soup.

Two production houses, Pytka of Venice, California, and Rickvine Productions of New York, each won four Clios for television ads.

Pytka won for its work with BBDO on Apple computer ads in home entertainment and office equipment categories, for a commercial for Bartles & Jaymes wine cooler and for an ad for riter water.

Levine won three Clios for its work with BBDO on an ad for Pepsi called "Apartment 1003." The ad showed the actor Michael J. Fox scrambling out his apartment window and across the fire in a driving rain to get a soft drink for a pretty neighbor.

Levine's fourth Clio award was for its work with BBDO on the "Bont commercial" that showed a man who had lost his legs in a game playing basketball with his friends with the aid of prosthetic limbs.

Clio Awards, a private concern based in New York, has been administering the Clio presentations for 29 years.

AT THE American Advertising Federation's competition in Los Angeles, BBDO won first prize for an Apple Computer commercial that features a wheelchair-bound teen-ager spinning around the Venice Beach area of Los Angeles. The young man, 16-year-old Jody Kemp, an actor who lost use of his legs in a car accident. In the 60-second commercial, Kemp is seen struggling to get his wheelchair over a curb, yanking records at a record shop and even falling out of the chair in a rough-and-tumble football game. Of course, he is also seen at work with an Apple computer.

The ceremony, held in Los Angeles for the first time, is judged by advertising executives as among the more prestigious of the industry.

Australia is setting out to modify its "Crocodile Dundee" ads to attract foreign investment to its expanding industries. The rough-and-ready image of Australia is depicted by the actor in Hogan catching crocodiles in remote northern Australia in the "Crocodile Dundee" films.

"If you can imagine aging Paul Hogan," John Button, minister for Industry, Technology and Commerce, said Tuesday, "that we are saying is that as he gets older he can get his biometric made in Australia, he can get his heart pacemaker made in Australia."

Australia has installed investment counselors in New York. See AWARDS, Page 15

Currency Rates

Currency	Per \$	Per 100	Per 1000
British pound	1.7545	175.45	17545
West German mark	1.7363	173.63	17363
Swiss franc	1.4835	148.35	14835
Japanese yen	163.64	16364	16364
French franc	6.5595	655.95	65595
Italian lira	2036.27	203627	203627
Spanish peseta	166.37	16637	16637
Portuguese escudo	200.48	20048	20048
Belgian franc	36.363	3636.3	36363
Dutch guilder	3.7603	376.03	37603
Swedish krona	8.4663	846.63	84663
Norwegian krone	4.7563	475.63	47563
Israeli sheqel	3.4835	348.35	34835
South African rand	1.7363	173.63	17363
South Korean won	163.64	16364	16364
Thai baht	50.34	5034	5034
Indonesian rupiah	163.64	16364	16364
Philippine peso	47.78	4778	4778
Malaysian ringgit	2.3663	236.63	23663
Singapore dollar	1.7363	173.63	17363
Chinese yuan	1.7363	173.63	17363

Interest Rates

Instrument	Rate
3-month T-bill	7 1/8%
6-month T-bill	7 1/4%
1-year T-bill	7 1/4%
3-month Treasury note	7 1/4%
6-month Treasury note	7 1/4%
1-year Treasury note	7 1/4%
3-month commercial paper	7 1/4%
6-month commercial paper	7 1/4%
1-year commercial paper	7 1/4%

Money Market Rates

Instrument	Rate
3-month T-bill	7 1/8%
6-month T-bill	7 1/4%
1-year T-bill	7 1/4%
3-month Treasury note	7 1/4%
6-month Treasury note	7 1/4%
1-year Treasury note	7 1/4%
3-month commercial paper	7 1/4%
6-month commercial paper	7 1/4%
1-year commercial paper	7 1/4%

U.S. Money Market Funds

Fund	Assets	Yield
Mutual Shares	\$1.25	4.40
Telestate	\$1.25	4.40

Gold

Instrument	Price
Gold	375.00
Gold futures	375.00

Générale Truce Is Called

De Benedetti Seen Getting Board Slot

By Jacques Neher
Special to the Herald Tribune

BRUSSELS—The two investor groups that have been locked in a tug-of-war for the past five months over Société Générale de Belgique announced a surprise truce Tuesday at the company's annual meeting.

Though no details were released pending an announcement on Friday, the pact appeared to pave the way for Carlo de Benedetti, the Italian industrialist, to assume a seat on Générale's board.

However, analysts believe that he is unlikely to get the degree of control he had sought when he began buying shares in Belgium's largest company in January.

René Lamy, governor of Générale's board, called the preliminary agreement "a big step toward normalization" between the two major shareholder groups.

Mr. de Benedetti, through his French holding company Cerns SA and his allies, controls 44.5 percent of 47 percent of the 166-year-old Belgian conglomerate, depending upon the outcome of a court case.

He was blocked from taking a seat on the board at a special shareholders meeting April 14 by the rival investor group led by Compagnie Financière de Suez, the French investment bank. The Suez group controls 55.2 percent of Générale.

The preliminary agreement, reached late Monday night between Mr. de Benedetti and Suez, headed off an expected fight at Tuesday's annual meeting over the election of Générale's board of directors. Horace de Carnoy, a former banking executive that Suez is supporting to run the company.

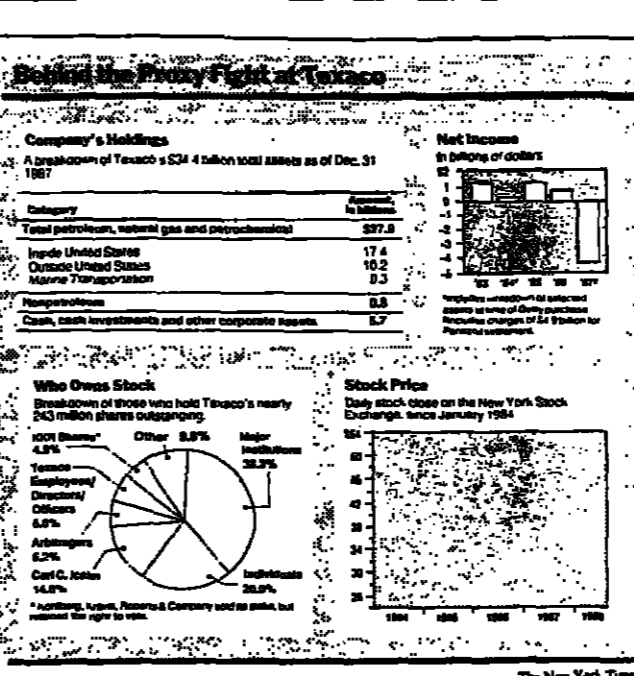
The Cerns group agreed to abstain on the vote in an apparent face-saving move, analysts said. That decision permitted Cerns to object to Mr. de Carnoy without igniting a controversy by having almost half the shareholders voting against the person viewed as the next chief executive.

After the meeting, the board named Mr. de Carnoy executive director, a position that gives him

See GENERALE, Page 15



Carl C. Icahn is leaving other investors to speculate about his plans after his defeat in the Texaco proxy battle.



All Eyes on Icahn's Texaco Shares

Proxy Battle Is Over, but Investor's Plans Are Unclear

NEW YORK—Now that Carl C. Icahn has conceded defeat in his proxy battle with Texaco Inc., attention is focused on his plans for the 14.8 percent stake he owns in the company.

Mr. Icahn, who had been fighting for board representation at Texaco in order to put a \$60-a-share acquisition offer for the company to a vote by shareholders, admitted the loss after Kohlberg, Kravis, Roberts & Co. said Monday it voted its 49 percent Texaco stake with management.

"I am of course sorry that I did not win, but so be it," Mr. Icahn, who is chairman of Trans World Airlines Inc., said in a statement on Monday.

Mr. Icahn said last week that if he lost the proxy vote he would seriously consider selling his Texaco shares. But he made no mention of his plans in the statement on Monday.

Neil Call, executive vice president of D.F. King, Mr. Icahn's proxy solicitor, said the investor was evaluating his options, including "whether to hold the shares, sell, go for a hostile offer or look for a partner."

It is thought unlikely that he would merely dump the shares because that would depress their price.

Texaco's stock, which traded around \$50 a share during the

proxy battle, closed at \$48 on the New York Stock Exchange on Tuesday, up \$1.50 a share on rumors of a stock buyback.

Analysts have pointed out that Mr. Icahn has a paper profit of more than \$70 million on his Texaco holdings, on the basis of a price of \$50 a share. Even with a substantial fall in the share takeover of Texaco, would not comment on the speculation.

Mr. Icahn had been seeking to elect himself and four associates to Texaco's 14-member board in hopes of bringing to a shareholder vote his \$60-a-share takeover proposal, which valued the company at about \$14.5 billion.

He said on Friday in Tulsa, Oklahoma, where Texaco's annual meeting was held, that he would consider making a hostile tender offer if he lost the proxy fight but also might simply sell his shares.

For tax reasons, he would wait until late July, he said.

Kohlberg, Kravis, an investment firm that specializes in buyouts, said that it sided with management because it was "impressed by the restructuring steps" Texaco has taken since emerging from bankruptcy proceedings in April. It also said that it "is supportive" of Texaco's restructuring efforts planned for the months ahead.

The restructuring plan has been aimed in part at fending off Mr. Icahn's overtures.

Although solvent, Texaco filed under Chapter 11 of federal bankruptcy laws in 1987 after a Texas court ordered it to pay \$10.3 billion to Pennzoil Co. for allegedly interfering in Pennzoil's bid to acquire Getty Oil Co. Texaco said it would acquire Getty Oil Co. See TEXACO, Page 15

U.S. Thrifts Lost \$3.8 Billion in First Quarter

WASHINGTON—U.S. savings and loan institutions incurred a near-record loss of \$3.8 billion between January and March, compared with profits in the first quarter of 1987 of \$100 million, the Federal Home Loan Bank Board said Tuesday.

The board said the overall loss was the result of increased losses by the 10 percent of the industry which is insolvent, mainly institutions located in Texas.

The board previously reported a fourth-quarter 1987 loss of \$3.2 billion and a loss of \$6.8 billion for the year. Those figures were revised in Tuesday's report to a record \$3.8 billion for the quarter and \$7.6 billion for the year.

The latest figure means that since last fall, the industry has been losing money at a rate of more than \$13 billion a year.

It is also one of the clearest signals to date that the bank board has yet to make a major dent in solving the problems generated by more than 500 insolvent savings and loan associations and another 300 to 500 institutions with very little net worth. Thrift deposits of up to \$100,000 are insured by the government.

Some analysts have raised the possibility of a federal bailout of the troubled institutions, with U.S. taxpayers footing the bill.

In a study of banking failures released Monday, the comptroller of the currency contended that the primary cause of the problems is mismanagement. The study runs sharply counter to the view of many bankers and savings-industry executives that the economy is primarily to blame.

The first-quarter figures show that the thrift industry's troubles are becoming more concentrated in the Southwest, said James Barth, the FHLBB's chief economist.

Of the first-quarter loss, \$3 billion was recorded by 20 of the most unprofitable thrifts, which are for the most part located in Texas. Mr. Barth said 117 Texas thrifts were classified as insolvent.

Nationwide, 344 insolvent thrifts had losses of \$4.4 billion, up from

Brasil Agrees With Banks on Rescheduling

United Press International

BRASILIA—Finance Minister Malton da Nobrega announced Tuesday that Brazil has agreed with foreign private banks on the rescheduling of \$67 billion of its \$123 billion foreign debt.

Although the terms of the agreement were not disclosed, officials said that medium- and long-term loans amounting to about \$62 billion would be rescheduled while new financing would amount to \$5.2 billion.

They said that interest will be 0.8125 percent over the London interbank offered rate.

"This is the best-ever accord that any Third World country has concluded," Mr. da Nobrega said.

Rate Rise Is Assailed In Germany

By Ferdinand Prottzman

FRANKFURT—The Bundesbank's move Tuesday to raise a key interest rate was quickly assailed by a range of economists as unnecessary, potentially harmful to economic growth and insufficient to bolster the Deutsche mark.

West Germany's central bank, announced Monday in Toronto, raised its interest rate on securities repurchase agreements to 3.50 percent from 3.25 percent. The increase aims to tamp down inflationary pressure and promote currency stability.

The move did not trigger rate increases by other industrial nations, as some economists had feared. London markets have been expecting the Bank of England to push banks' base rates half a point higher to 9 percent this week, but it did not act Tuesday.

The mark, which closed at 1.7600 to the dollar Monday in New York, was fixed lower at 1.7576 Tuesday in Frankfurt.

The Bundesbank called for tenders Tuesday on 28-day securities repurchase agreements at a fixed 3.50 percent rate. That was the first change in the repurchase rate since the Bundesbank lowered it to 3.25 percent last Nov. 25.

The move was decided last week by the Bundesbank's policy-setting council. A news report Thursday on the decision pushed German money market interest rates higher.

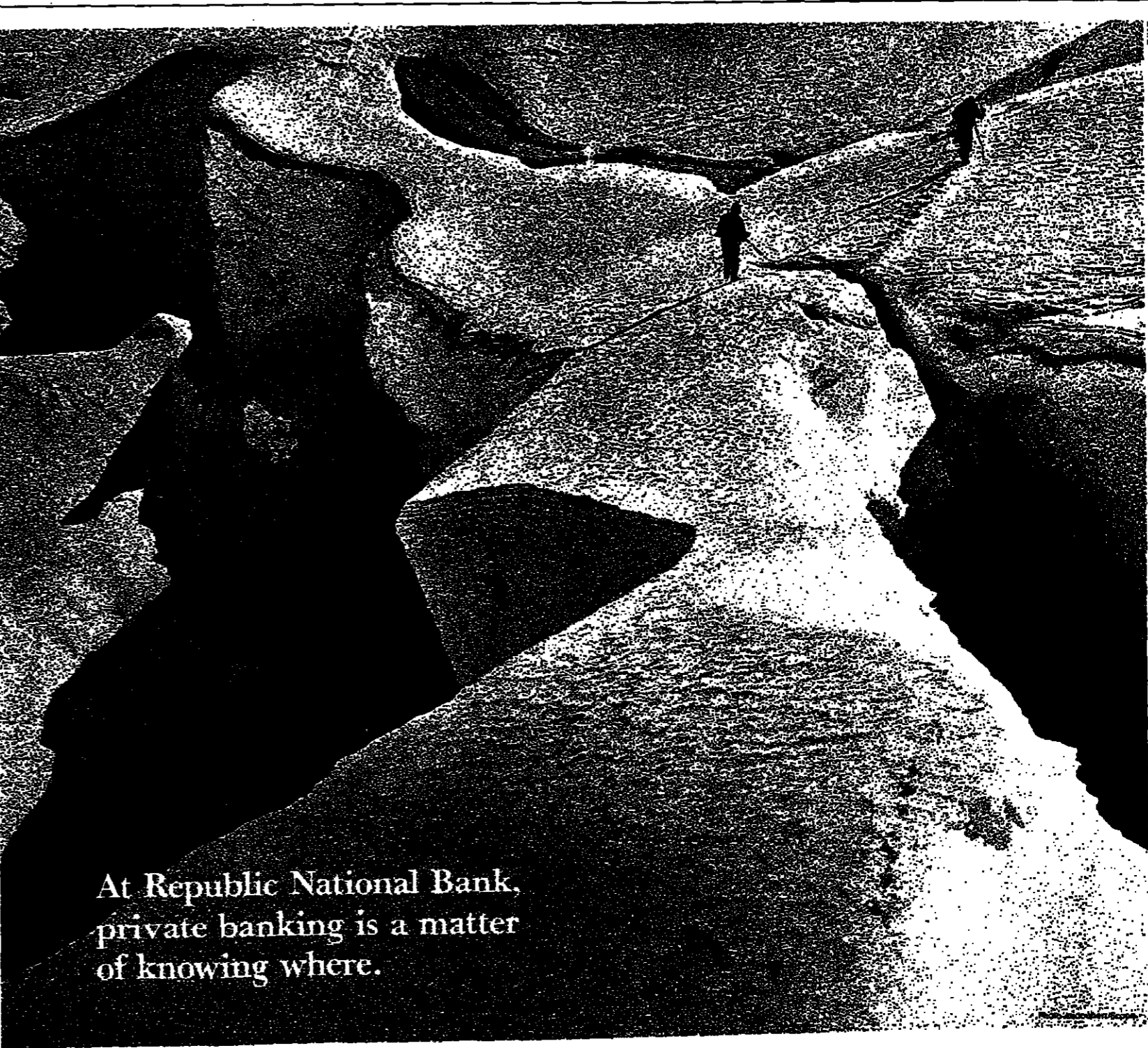
"We see no real need for it," said Peter Fietisch, an economist for Commerzbank AG. "There is no inflationary pressure in the foreseeable future, the Deutsche mark is hardly weak and while our economy is growing unexpectedly well, it won't be helped by this."

West Germany's M-3 money supply is expanding at a rate well above the Bundesbank's 3 to 6 percent target range.

Gert Schmidt, an economist at Industriedrehtbank AG in Düsseldorf, saw "no fundamental reason to put the interest-rate brakes on the economy right now."

A currency dealer for a U.S. bank in Frankfurt said, "Speculators are buying currencies with higher interest-rate yields, looking for quick gains, like the dollar and the Australian dollar. This is not enough of a rise to make the mark attractive for those people."

Gerhard Stoltenberg, the finance minister, attempted Tuesday to downplay the increase's impact on world markets, remarking in Toronto that the move was a minor adjustment to monetary policy.



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BUSINESS ROUNDUP

IBM Announces Minicomputer Line

NEW YORK — International Business Machines Corp. unveiled a line of six minicomputers on Tuesday...

The machines are to be available in August. That is an unusually short time after a product announcement...

market with a share of almost 24 percent, according to International Data Corp.

French Firm Offers to Buy Essex Water

LONDON — Lyonnaise des Eaux de France announced Tuesday it has offered to acquire Essex Water Co. of Britain...

Japanese Cars' Quality Edge Is Declining, U.S. Poll Finds

By James Risen
DETROIT — The perceived "quality gap" between Japanese and U.S. cars appears to be narrowing...

It found owners of the Taurus and the Mercury Sable, which is similar, were experiencing "greater-than-average" repair problems.

of Japanese cars surveyed, there were 144 problems reported, up from 129 problems for each 100 owners surveyed in 1987.

Sabena Orders 6 Boeing Jets

BRUSSELS — Sabena, the Belgian national airline, announced Tuesday that it had ordered 16 Boeing 737s as part of a plan to renew and expand its fleet.

GENERALE: Rivals Reach Truce on Belgian Firm

(Continued from first finance page)
operational responsibilities on the board but does not carry the same weight as chief executive officer or managing director.

Mr. de Carmoy, in a press conference after the board meeting, said he had met with Mr. de Benedetti, although he declined to disclose the nature or tone of the talks.

Andrew Bell, an analyst with the Phillips & Drew stockbrokerage in London, speculated that Mr. de Benedetti may be viewing the compromise as "the first step" toward obtaining the influence he seeks.

Tomkins Tops Electrolux Bid for Murray

LONDON — Tomkins PLC, a British industrial holding company, said Tuesday that it has agreed to acquire Tennessee-based Murray Ohio Manufacturing Co. for \$224 million...

Monday after Electrolux refused to raise its offer. If the Murray deal is completed, it will be the second buyout of a U.S. company by Tomkins in a year...

"The acquisition of Murray represents the next logical step in Tomkins' efforts to expand its U.S. operations," said Gregory Hutchings, the Tomkins chairman.

Pao Units Buy Hotel Firm for \$135 Million

HONG KONG — World International (Holdings) Ltd. and its affiliate Wharf (Holdings) Ltd. said Tuesday that they are buying the U.S.-based Omni Hotels Group for \$135 million in cash.

Simmons Faces a Takeover

CHICAGO — Simmons Airlines Inc., a regional U.S. carrier, said Tuesday that American Airlines is considering acquiring it.

Simmons stock rose 62.5 cents to \$15 a share in over-the-counter trading on Tuesday. On June 10, it closed at \$9.875.

EXACO: Future of Icahn's Stake Remains Unclear

(Continued from first finance page)
Eventually bought Getty in 1985. Texaco settled the case and ended the way for its emergence as a major player in the oil industry.

company remains "flexible and interested" in connection with Texaco, but also noted that it may take no action at all.

chases in January with Kohlberg Kravis's broker, Bear, Stearns & Co.

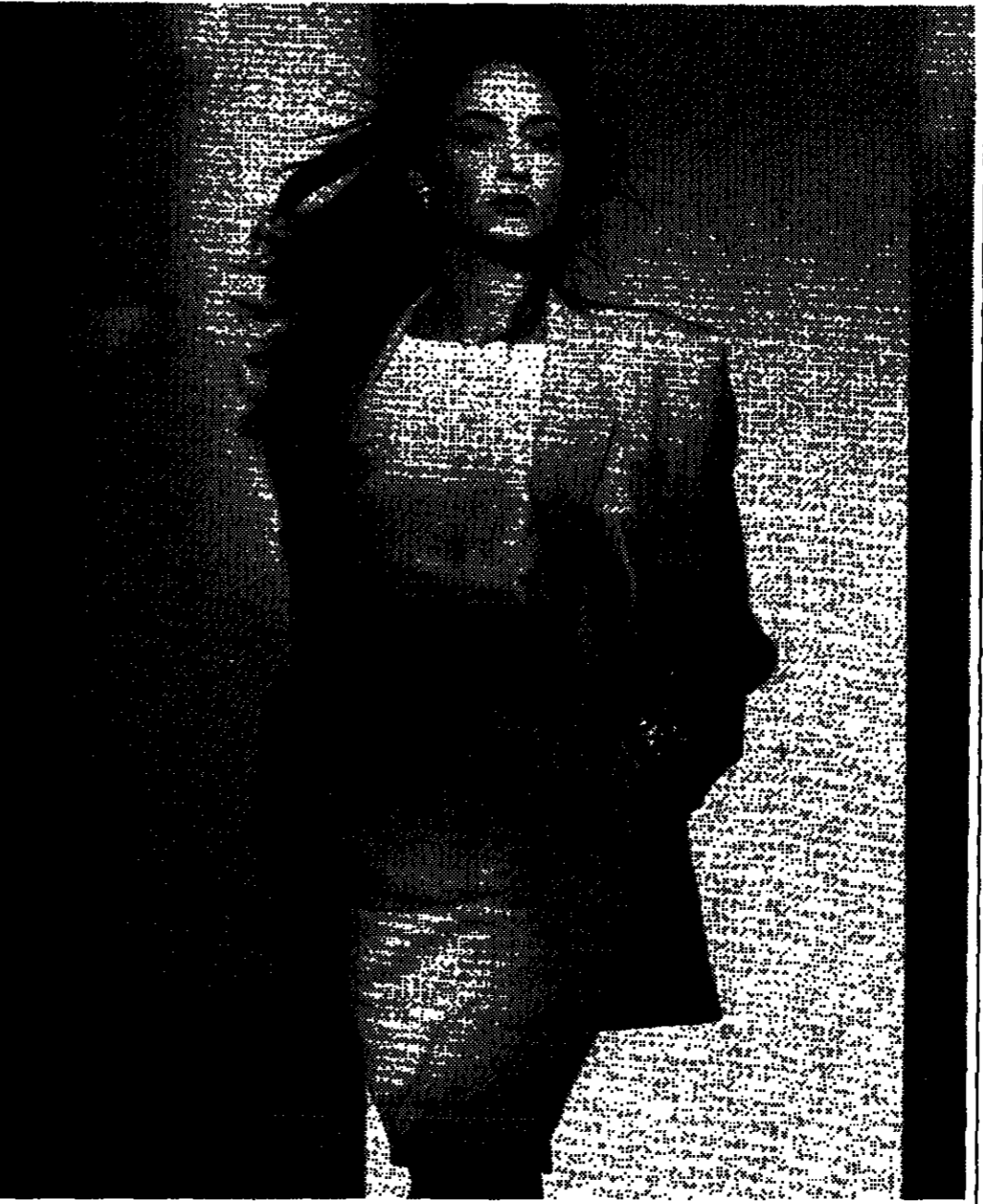
WARDS: BBDO Wins Twice

(Continued from first finance page)
United States, and Publicis Communications, a huge French company, will create a new entity by merging FCB London with Mullen McCormick, one of two Publicis agencies in that city.

When Mr. Icahn was questioned under oath early last week in a suit against him by Texaco, he said that Henry Kravis, one of the firm's partners, had told him that if Texaco put Icahn's 360-a-share bid to a shareholder vote, Kohlberg Kravis might make a higher bid.

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Table with 2 columns: Year, Group Turnover (excluding Sales Taxes) £m. Data for 1983-1988.

Table with 2 columns: Year, Group Profit (before Taxation) £m. Data for 1983-1988.

We are pleased to announce that both Moody's and Standard & Poor's have recently reaffirmed our rating for long term debt as AAA.

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Floating-Rate Notes

Table of Floating-Rate Notes with columns for Issuer/Name, Coupon, Maturity, Bid, Ask, and other financial details.

Table of U.S. Futures with columns for Season, Open, High, Low, Close, and Change, including sub-sections for Grains and Food.

Table of Deutsche Marks with columns for Issuer/Name, Coupon, Maturity, Bid, Ask, and other financial details.

Table of Japanese Yen with columns for Issuer/Name, Coupon, Maturity, Bid, Ask, and other financial details.

Table of Pounds Sterling with columns for Issuer/Name, Coupon, Maturity, Bid, Ask, and other financial details.

Advertisement for BUSINESS SCHOOL LAUSANNE, SATURDAY SEMINARS D.B.A., featuring seminars on subjects like research methods and business administration.

Advertisement for ROYCO INVESTMENT COMPANY, Gross Surplus, Month May 1988 4.99%, Jan. 1st - May 31st 19.79%, located at 8 Rue Thalberg, CH-1201, Switzerland.

Table of E.C.U. with columns for Issuer/Name, Coupon, Maturity, Bid, Ask, and other financial details.

Table of Cattle (CME) with columns for Season, Open, High, Low, Close, and Change.

Table of Metals with columns for Season, Open, High, Low, Close, and Change.

Table of Lumber (CME) with columns for Season, Open, High, Low, Close, and Change.

INTERNATIONAL FUNDS (Quotations Supplied by Funds Listed) 21st June 1988

Large table of International Funds with columns for Fund Name, Bid, Ask, and other financial details, categorized by region and fund type.

Advertisement for Japicoin SA, featuring a large stylized logo and contact information for international fund services.

Dollar Declines on Profit-Taking

NEW YORK — The dollar slipped Tuesday against most major currencies in New York as dealers took profits, after the currency ended mixed in quiet European trading.

Dealers said that the communique from the Toronto summit meeting of the Group of Seven major industrialized countries had little impact on trading. The G-7 issued a warning against excessive dollar fluctuations.

"This means we'll be trading in bands just as we have been doing in the past few months," said Peter Medlock, chief dealer at Societe Generale in London.

In New York, dealers sold for profits after the dollar failed to extend its gains past 1.76 Deutsche marks, an eight-month high.

The U.S. currency finished at 1.7553 DM, down from its close at 1.76 DM on Monday. However, it edged higher to 126.42 yen from 126.27.

The dollar eased, though, against other European currencies, slipping to 1.4590 Swiss francs from 1.4625 and to 5.9230 French francs from 5.9355.

The British pound rose to \$1.7895 from \$1.7853.

Market participants remained generally positive about the dollar, although some suspect that historic currency movements and continued selling by the Bundesbank, the West German central bank, imply a pullback is due against the mark.

"There were signs the dollar was struggling a little bit today," said David Sawyer, a vice president of foreign exchange marketing at First Chicago in London. "A correction might happen anytime."

"I think the dollar is well supported," said Earl Johnson of Harris Trust & Savings Bank. "But I

London Dollar Rates table with columns for currency, rate, and change.

don't see a serious run at 1.80 DM, for example."

In London, the dollar closed at 1.7580 DM, down from 1.7595 at Monday's close. The U.S. currency ended firmer against the Japanese yen at 126.45 yen, up from 126.18 the previous session.

However, it weakened slightly after reports on the G-7's draft communique. Mr. Medlock said some market participants had hoped for some form of encouragement to push the dollar higher.

"People who were long on dol-

lars could get frustrated," he said. The British pound ended slightly firmer at \$1.7855, up from \$1.7845.

The French franc also gained against the dollar, rising to 5.9295 francs from 5.9285.

Dealers in London noted the pound held firm against currencies other than the dollar, although the Bank of England did not signal a rise in base rates in its money market operations Tuesday morning.

This was despite a quarter-point rise in the West German central bank's repurchase rate on Tuesday morning. That increase had been expected.

"The time is not yet right" for a British base rate rise because of exchange rate considerations, Mr. Sawyer of First Chicago said.

British authorities have taken advantage of the pound's recent fall to initiate a rise in base rates to curb inflationary pressures appearing to build up in the economy.

U.S. Consumer Price Rises Further Abated in May

WASHINGTON — U.S. consumer price increases slowed in May for the second consecutive month as an earlier surge in clothing prices came to an abrupt halt and food price rises moderated, the government announced Tuesday.

Economists said the drought that is plaguing Middle Western farm regions has had little impact on consumer prices so far. The consumer price index, a widely used measure of inflation, rose a seasonally adjusted 0.3 percent in May after gains of 0.4 percent in April and 0.5 percent in March. The Labor Department said.

For the first five months of 1988, prices rose at a 4.4 percent annual rate, identical to the advance for all of 1987, the department said. In the 12 months ended in May, prices rose 3.9 percent, it said.

"There's some moderation in this report," said Donald Ratajczak, director of the Georgia State University Center for Economic Forecasting.

"It continues to show that regardless of what's happening with import prices, or even what's happening down on the farm, the consumer only has tolerance for so much," Mr. Ratajczak said.

Gasoline prices rose 1.6 percent in May after a 1.1 percent rise in April. Such a rise is not unusual at the start of the vacation season.

Food and beverage prices rose only 0.4 percent in May after a 0.6 percent gain in April as price increases slowed significantly for most staples.

From private consumption in the first quarter of the year looked likely to continue, with very high orders for domestic consumer goods.

Employment rose, but not as quickly as the number of people seeking jobs. The number of people with jobs rose to 26.08 million in April, 60,000 more than in December 1987 and 115,000 more than in April 1987.

Unemployment at the end of May totaled 2.27 million people, however, 10,000 more than at the end of 1987 and 50,000 more than in May 1987.

The report said business expectations had

improved in the manufacturing sector since the start of the year.

The Bundesbank also said corporate profits were moving ahead, helped by the absence of cost pressure on margins and by support from outside the economy in the form of cheaper prices for imports.

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Rise Foreseen in Yen Interest Rates

TOKYO — Money dealers in Japan continue to expect a rise in yen interest rates despite Bank of Japan attempts to defuse such speculation.

The bond market majority sees higher interest rates from later this month on seasonal factors," said Yuichi Kaneko, assistant general manager of Dai-ichi Kangyo Bank Ltd.

The Bank of Japan bought government bonds totaling 246 billion yen (\$1.95 billion) on Friday, just ahead of the economic summit meeting in Toronto, and it bought 50 billion yen on Tuesday.

A Bank of Japan official said the bank bought bonds in an effort to ease fears of higher yen interest rates.

There was too much worry about rising rates, he said. The official said the Bank of Japan would not change its basic monetary stance.

But Mr. Kaneko of Dai-ichi said the seasonal upturn in rates would be accentuated if the yen did not strengthen.

The strong yen had enabled Japan to post a good economic performance and maintain low interest rates and no inflation, he said.

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Expectations Persist Despite Efforts by Bank of Japan

about a possible worsening of the price environment over a "somewhat" long term.

Mr. Sumita also said the central bank expects the Japanese economy to continue growing at a relatively high rate.

"In the face of firmer dollar sentiment, the central bank would impose a brake on strong economic expansion — but little by little," said Tetsuya Dezuka, general manager of New Japan Securities Co.'s bond department.

He added that the Bank of Japan's basic accommodative credit stance will not in itself achieve the bank's target of sustained economic growth without inflation.

Asked if Japan would follow suit if the Bundesbank, West Ger-

ny's central bank, raised its important money-market rate, Mr. Sumita said, "We would have to change our current monetary stance."

But despite what government officials said, money dealers expect three-month bill rate rise soon. Such a rise would cover expected demand for funds in time for interim or annual closing of accounts at the end of September Japanese corporations.

Many traders had expected bill rate to rise last Friday, but central bank instead injected funds into the market through bond purchases.

EC Court Directs Britain To Widen VAT Collection

LUXEMBOURG — The European Court of Justice on Tuesday ordered Britain to widen the application of its sales tax in a ruling that affects the country's construction industry.

The judgment, a rare attack on a national tax system, came as the European Community is trying to push members to standardize their indirect taxes by 1992, the community's target date for the establishment of a single market.

The Luxembourg court, whose rulings are binding, said Britain should charge value added tax on all goods and services that do not go directly to the final customer.

It ordered Britain to impose VAT on new buildings, except for private housing, on electricity sup-

plies to industry and on the sale of news services to banks and insurance companies.

Legal experts said Britain would have to decide whether to charge standard rate of VAT, which is percent, or a lower rate.

The British Building Employers Confederation said the additional annual tax burden on construction would be between £25 billion and £30 billion (£345 million and \$1.1 billion).

Peter Lilley said the government would change tax rules to set the impact of the ruling.

A complex system allows industrial companies to reclaim VAT they pay on goods and service each stage of production. It is mainly borne by the consumer.

Bundesbank Predicts Healthy Growth for West Germany

FRANKFURT — The West German economy is healthy and should continue to grow at a respectable rate, with prices remaining steady, the country's central bank said Tuesday.

A Bundesbank report said, "Growth in production went together with a wide-ranging improvement in business confidence after the turbulence on the stock and currency markets towards the end of last year had had a temporary negative effect."

It said the West German economy grew by a seasonally adjusted 1.5 percent in the first quarter over the last quarter of 1987.

The rate was distorted by a mild winter, which gave an exceptional boost to building activity, it said. But even without this factor, growth was 0.8 percent.

Further growth at this rate would yield annual

growth of more than 3 percent, the Bundesbank added.

"As this illustrates, the German economy had an unchanged positive trend at the start of the current year. Important indicators of demand suggest that the economic forces for growth have if anything increased," it said.

The Bundesbank said domestic demand was the main source of West German growth, rising by 2 percent from the previous quarter, adjusted for seasonal factors and inflation.

The strength of domestic demand helped the economy shift away from its previous dependence on exports, the bank said.

"The irritations, which the turbulence on the stock and currency markets brought with it, have been immediately surmounted by the economy," it said.

improved in the manufacturing sector since the start of the year.

The Bundesbank also said corporate profits were moving ahead, helped by the absence of cost pressure on margins and by support from outside the economy in the form of cheaper prices for imports.

From private consumption in the first quarter of the year looked likely to continue, with very high orders for domestic consumer goods.

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Tuesday's OTC Prices NASDAQ prices as of 4 p.m. New York time. This list, compiled by the AP, consists of the 1,000 most traded securities in terms of dollar volume.

Table of OTC prices for various stocks including AAW Bd, AAD, AAS, etc.

Table of OTC prices for various stocks including AAT, AAV, AAW, etc.

Table of OTC prices for various stocks including ABA, ABB, ABB, etc.

Table of OTC prices for various stocks including ABC, ABC, ABC, etc.

Table of OTC prices for various stocks including ADE, ADE, ADE, etc.

Table of OTC prices for various stocks including AEF, AEF, AEF, etc.

Table of OTC prices for various stocks including AFG, AFG, AFG, etc.

Table of OTC prices for various stocks including AHG, AHG, AHG, etc.

Table of OTC prices for various stocks including AII, AII, AII, etc.

Table of OTC prices for various stocks including AIJ, AIJ, AIJ, etc.

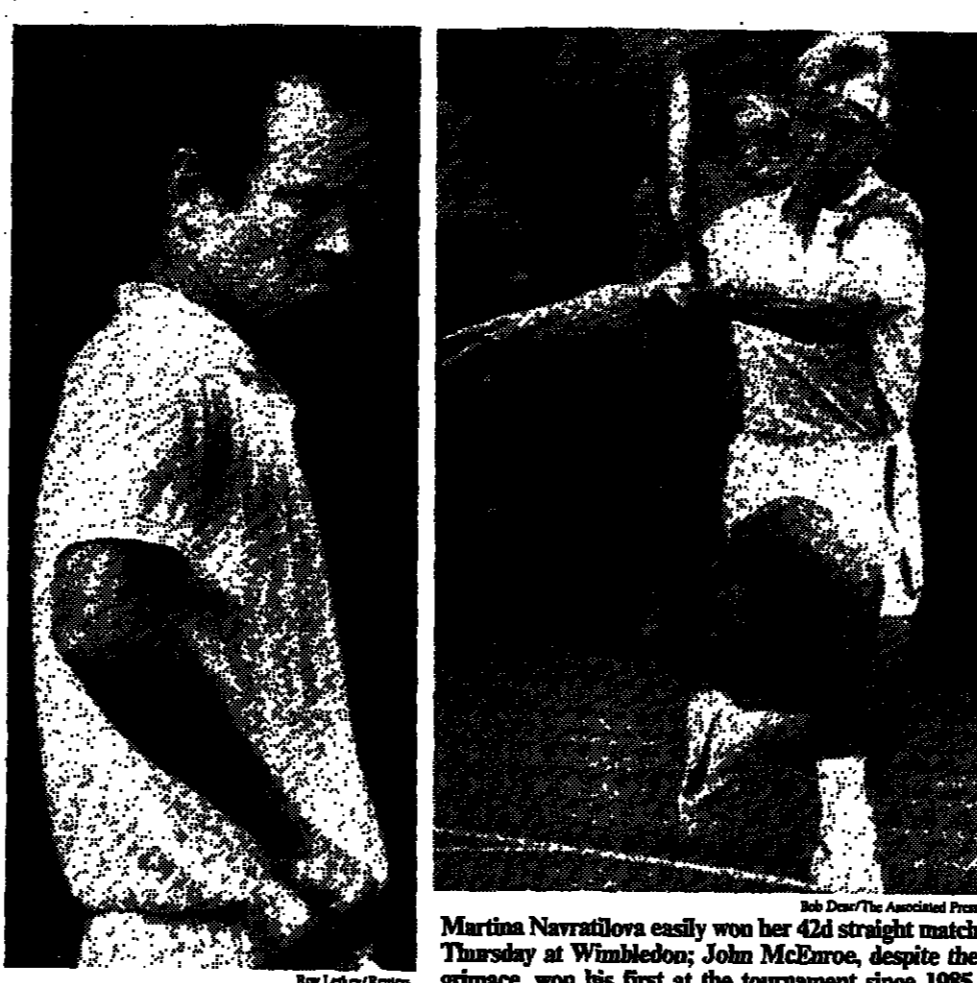
JPL100150

(Continued on next page)

SPORTS

Holland Gains Final, Beating W. Germany

The Associated Press
LMBURG — A late goal by van Basten on Tuesday sent the Netherlands into the final of the European Championship...



Martina Navratilova easily won her 42d straight match Thursday at Wimbledon; John McEnroe, despite the grimace, won his first at the tournament since 1985.

McEnroe's Return a Triumph; Navratilova, Graf Win Easily

By John Feinstein
Washington Post Service
LONDON — Three years later, Wimbledon's prodigal son returned. And, if there has ever been any doubt about the validity of the phrase "Absence makes the heart grow fonder," it evaporated at 2:59 P.M. Tuesday when John Patrick McEnroe formally came back to Wimbledon.



John McEnroe, despite the grimace, won his first at the tournament since 1985.

Brooklyn's Homer Against Yanks Puts Tigers in First

By Tom Staff From Dispatches
TROT — Tom Brookens some Detroit fans forget the Pistons and Isiah Thomas went Monday night when he came in the 10th inning to lead the Tigers into first place in the Eastern Division with a 2-1 victory over the New York Yankees.

BASEBALL ROUNDUP
Jeff Russell, with a four-bitter, improved to 7-0 and tied Jim Kaat's team record for best start. White Sox 5, Royals 3: In Chicago, Steve Lyons' two-run homer with one out in the bottom of the ninth gave Kansas City its fourth straight loss.

Strange Beats Faldo By 4 in Open Playoff

By Gordon S. White Jr.
New York Times Service
BROOKLINE, Massachusetts — Curtis Strange, who never trailed Monday, beat Nick Faldo of England by four strokes in an 18-hole playoff for the 88th U.S. Open championship.

Pistons' Thomas Doubts He Can Play

Injured Ankle May Keep All-Star Guard From Title Game
Compiled by Tom Staff From Dispatches
INGLEWOOD, California — As the Detroit Pistons practiced Monday at the Forum to get ready for Tuesday night's seventh and deciding game of the National Basketball Association championship series, they did so without their all-star point guard, Isiah Thomas.

Isiah Thomas: On crutches

Isiah Thomas, who is double-teamed and constantly harassed Sunday, took only 10 shots; he made 3 other series games in which Dantley was held under 20 points, the Lakers also won. A similar observation could be made about James Worthy, the Lakers' small forward, who has been matched against Dantley. In the three games the Lakers lost, Worthy scored 19, 7 and 14 points; in the three they won, he scored 26, 24 and 28.

Tyson Bout Set At 12 Rounds

The Associated Press
TRENTON, New Jersey — Next Monday's heavyweight title fight between Mike Tyson and Michael Spinks has been set at 12 rounds by the state of New Jersey, but the International Boxing Federation said Tuesday it still would strip Tyson of its crown because he won't agree to a 15-round bout.

FOREBOARD

Advertisement for Seiko watches, featuring the Seiko logo and text: 'OFFICIAL TIMEKEEPER SEIKO'.

Table with 2 columns: 'FIRST ROUND' and 'SECOND ROUND', listing names and scores for various sports events.

BASEBALL

Table with 2 columns: 'AMERICAN LEAGUE' and 'NATIONAL LEAGUE', listing team names and their respective records.

Major League Standings

Table with 2 columns: 'AMERICAN LEAGUE' and 'NATIONAL LEAGUE', listing team names, wins, losses, and percentages.

Allison Badly Hurt In Crash at Pocono

United Press International
ALLENSTOWN, Pennsylvania — Champion race car driver Bobby Allison was "semiconscious and responding to verbal commands" Monday after suffering a bruised heart and fractures in a crash at the Miller High Life 500 at Pocono International Raceway.

BLANCPAIN

Advertisement for Blancpain watches, featuring a watch image and text: 'SINCE 1735 THERE HAS NEVER BEEN A QUARTZ BLANCPAIN WATCH. AND THERE NEVER WILL BE.' Includes contact information for Hausmann.

OBSERVER Hang the Drug Users

By Russell Baker NEW YORK — The intricate nature of our narcotics problem may be gauged from the absurdity of the ideas being advanced to end it.

seeing one of their own kind hanged. Hence, capital punishment can have no deterrent effect on them.

Calypso: It's an Educational Thing

By Mike Zwerin International Herald Tribune PARIS — Meet Mighty Sparrow, King of Kings.



Mighty Sparrow in concert: "We get our names pretty much like wretches."

Sparrow is living life in Queens, New York, because "that's where the management is," and that Lord Kitchener lived in London for something like 17 years.

PEOPLE

American Will Become Balliol College Master

British-born, a Nobel Prize-winning professor of medicine and anthropology at the University of Pennsylvania, Hugh Thomas has been named to succeed the late Professor Balliol as master of Balliol College at Oxford University.

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TODAY'S INTERNATIONAL BUSINESS MESSAGE CENTER Appears on page 17

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